



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 28-Oct-2020 | Report No: PIDC30159

**BASIC INFORMATION****A. Basic Project Data**

Country Bosnia and Herzegovina	Project ID P171513	Parent Project ID (if any)	Project Name Bosnia and Herzegovina - Forest Economy Development Project (BiH FEDEP) (P171513)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Mar 24, 2021	Estimated Board Date Jul 30, 2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Treasury	Implementing Agency Ms. Danica Cigelj, Assistant Minister, FBiH Ministry of Agriculture, Water Management and Forestry, RS Ministry of Agriculture, Forestry and Water Management	

Proposed Development Objective(s)

The PDO of the project is to strengthen the performance of wood processing enterprises and sustainable forest management in selected areas of Bosnia and Herzegovina.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	55.00
Total Financing	55.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	50.00
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Non-World Bank Group Financing

Counterpart Funding	5.00
Borrower/Recipient	5.00

Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Bosnia and Herzegovina (BiH) continues to maintain its macro stability as an upper middle-income country and has made progress on a significant reform agenda.** Despite a complex political and institutional structure¹, BiH’s reform efforts have improved economic links between the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS), and progress has been made in creating a better environment for private sector development and job creation. However, in 2019, Bosnia and Herzegovina’s GDP growth was estimated at 2.8% - a drop from 3.3% in 2018, driven mainly by slower export growth and weaker consumption.

2. **Creating more and better paying jobs within the country is essential to stem emigration and enhance growth.** Unemployment among youth continues to contribute to brain drain from the country. A third of the people from BiH already live outside of the country and thousands leave each year in search of better quality of life². However, the COVID-19 pandemic is likely to change this migration pattern at least in the short run and presents the need for creation of better jobs and opportunities in domestic industries. Despite the high-level of unemployment, some sectors (e.g. forestry) face labor shortages. The mismatch between skills of recent graduates and business needs in BiH is among the highest in Europe.

¹ The two Entities – the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) cover 50% and 49% of the territory respectively and the Brčko District the remaining one percent. All three have their own constitutions, governments, and are politically, administratively and fiscally autonomous. FBiH is further divided into 10 Cantons, each with their own government, and 79 municipalities. Both the FBiH government and the Cantonal governments have the right to devise laws and policies that pertain to any of their competencies and adopt them. For the responsibilities further delegated to the municipalities (the lowest administrative level), the Cantons finance and supervise their activities. The Republika Srpska is centralized and has no cantons. It shares and delegates some of its competencies directly with 58 municipalities and six cities. (Agency for Statistics of Bosnia and Herzegovina, 2014)

² World Bank. 2020. Bosnia and Herzegovina: Systematic Country Diagnostic Update. World Bank, Washington, DC. [https://openknowledge.worldbank.org/handle/10986/33870 License: CC BY 3.0 IGO]



3. **The COVID-19 pandemic poses the most serious threat to the BiH economy since the global financial crisis of 2008.** Real GDP growth is estimated to fall from a pre-COVID-19 estimate of 3.4% to -3.2% (baseline scenario) or further to -4.2% (downside scenario)³. The pandemic has led to significant job losses, especially in the service industry. It was estimated that over 20,960 jobs in FBiH and about 800 jobs in RS, respectively, have been lost since the start of the pandemic. This economic downturn in a range of sectors is expected to affect the short-term poverty rate, especially in rural areas.

4. **The Governments in both Entities have stepped up immediate relief measures for businesses and their employees.** The FBiH has a USD 48million stabilization fund, a stabilization program and a USD 60million guarantee program to support firms. There are also other programs to support cantons and municipalities. RS also has comparable support programs, e.g. a USD 35million solidarity program to support wages⁴. The support has been financed both by domestic resource mobilization and external support (e.g. a USD 14million grant from the European Investment Fund – EIF).

Sectoral and Institutional Context

5. **The forest sector⁵ is an important driver of economic growth, export earnings, and job creation in BiH.** Although a minor contributor to the GDP at 1.6%⁶, the sector employs over 5% of the work force and, makes up over 15% of total exports. The wood industry employs about 27,000 people (roughly 60% in wood processing and 40% in furniture manufacturing). These jobs are particularly valuable as they are in rural regions, which are economically marginalized and suffer from outmigration. In 2017 there were 1,328 registered wood processing enterprises, the highest in the manufacturing sector and the industry was the second highest export earner for the country at USD 669 million (BAM 1.1 billion). According to the EU financed EU4Business program, wood processing is one of the economic sectors with greatest development potential in BiH⁷, given its steady annual growth, and ability to add jobs (nearly 17,000 were added during 2013-2017), and presents an important avenue for sustainable post-COVID-19 economic recovery.

6. **However, wood processing firms in BiH may be unable to adapt to changing trends in response to the pandemic driven crisis.** Despite being a major exporter, the gross value-added of USD 309million in the industry is low compared to other processing industries such as food and beverage (USD 535million) and metal-mechanical (USD 773million) in the country. Many furniture manufacturing firms struggle with low profitability despite recent growth and good access to international supply chains. Indicative FBiH statistics show that while industry revenues have increased by 6.25% per annum, gross profit margins have declined from 6.44% in 2017 to only 5.71% in 2018. Similarly, in RS, though revenues grew at nearly 6% per annum, profit margins slightly declined from a peak of 12.96% in 2016 to 12.17% in 2018, suggesting that increased exports have not resulted in bottom line improvements. In many individual cases, firm-level *net* profits have approached zero or even turned negative. Operating on such thin margins creates a systemic risk for the industry.

³ World Bank, 2020. Western Balkans Regular Economic Report No.17.

[<http://documents1.worldbank.org/curated/en/457181588085856454/pdf/The-Economic-and-Social-Impact-of-COVID-19-The-Country-Notes.pdf>]

⁴ OECD. 2020. [The COVID-19 Crisis in Bosnia and Herzegovina](https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Bosnia-and-Herzegovina.pdf). (<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Bosnia-and-Herzegovina.pdf>); <https://www.pubaffairsbruxelles.eu/coronavirus-e12-million-to-support-bosnia-and-herzegovinas-smes-eu-commission-press/>

⁵ unless specified includes forestry operations, wood processing, furniture manufacture;

⁶ Data for 2011 from United Nations Environment Programme(UNEP) and World Conservation Monitoring Center (WCMC) 2020: Bosnia and Herzegovina: EU Timber Regulation country overview for the European Commission.

[<https://ec.europa.eu/environment/forests/pdf/Country%20overview%20Bosnia%20and%20Herzegovina%2019.04.2020.pdf>]

⁷ Pucar, Stevo & Anđela Pečić. 2019. Sectoral Study on the Innovative Capacity and Potentials of Companies. Implementation of the IPA 2016 Support in the Sector of Competitiveness and Innovation - Action “Local Development Strategies”, Local Self-Government and Economic Development Programme in Bosnia and Herzegovina. EU4Business Project.



Discussions⁸ also indicated that the global market for furniture has been rapidly disrupted by the entry of new players into the field, especially from East Asia, which have drastically increased their production and captured market share.

7. **To strengthen the wood processing industry, both Entities need business-friendly policies and competitive roundwood markets.** The current system creates a market distortion by allocating wood sales through a quota system to incumbent firms based on past performance⁹. This arrangement prevents enterprises from competing on merits and creates barriers to entry for new firms. These sales procedures artificially deflate roundwood pricing¹⁰ and high performing firms cannot compete for raw material in a way that would allow them to scale-up to become internationally competitive. While these roundwood sales policies need reform, to remain competitive and tide over the change to more competitive pricing of raw material, wood processing enterprises will need financial support along with technical assistance.

8. **In tandem with creating a better investment climate, the sector can expand by increasing sustainable wood supply from the country's forests (63% of total area).** BiH is endowed with good forest cover that is spread evenly between the two Entities (FBiH has 48% and RS has 52%) and is well managed. Over 50% of forests in BiH are certified by Forest Stewardship Council (FSC) for sustainable forest management¹¹. Nearly 80% of the forest is publicly owned by the two Entities with the remaining 20% belonging to private owners. The public enterprises in RS (Šume RS) and Cantonal Forest Management Companies (CFMCs) in the FBiH¹² are responsible for managing the public forests. Despite high forest cover, on average, only half of the annual increment of wood is harvested while in other major wood producing countries the ratio is higher (EU-28 average is 73% and Northern Europe 77%). This indicates, as a *very rough measure*, that timber harvesting could be increased by over a third (or higher in private forests), without jeopardizing sustainability.

9. **Strengthening the governance and efficiency of public forest enterprises is important to increase their contribution to the economy.** Public forest management companies in both Entities suffer from weak corporate governance and inadequate transparency and monitoring of their activities. The profit margins of these enterprises in RS and the CFMCs in FBiH are well below those of peer organizations in EU member countries¹³. These companies would benefit from institutional reforms. Experience elsewhere has shown, however, that such reforms are more effective when implemented in several sectors in the government, to ensure consistency and sustainability of the reforms. It is expected that the wider state-owned enterprise (SOE) reform program in BiH will include the forest SOEs.

10. **Incremental improvements in productivity and efficiency, however, can be achieved by improving forest management by the public forest companies.** Public forest companies generally do not carry out early thinnings and treatments of forest stands and plant new areas to the extent required. These investments are important for the health of the forest, increase wood supply and raise the asset's value over the long term. In the short to medium term these activities also create jobs for raising planting material, plantation, transportation, forest roads, fire protection, etc.¹⁴ which

⁸ Data collected through interviews during the World Bank mission to Bosnia and Herzegovina in February 2020.

⁹ For example, in RS there are 50 strategic companies, which serve as the basis of the government's wood tendering policy. These companies are given priority access to raw materials in order to ensure their continued production.

¹⁰ With revenues of RS Šume totaling approximately USD 123 (BAM 202) million in 2018, this pricing policy potentially reduces annual revenues by more than USD 52 (BAM 85) million when compared to regional reference prices.

¹¹ August 2020 (<https://ic.fsc.org/en/facts-and-figures>)

¹² In general, there is one cantonal public forest enterprise in each of cantons of FBiH. The main exception is Canton 7 (Herzegovina-Neretva Canton) that has five public forest companies; one cantonal and four municipal companies (one municipal company is currently in bankruptcy procedure). The Posavina canton in FBiH does not have public forest enterprise due to the small share of forest land as well as predominance of private forests.

¹³ In 2018, the profit margin for RS Šume was 1.99% and for three CFMC for which data was available it ranged from -1.23% to 12.06%. As a comparison, for Riigimetsa Majandamise Keskus (RMK) of Estonia and Metsähallitus of Finland margins were 38% and 39.9% respectively.

¹⁴ According to one estimate, each job in the forest sector is estimated to generate 1.5 to 2.5 additional jobs in the wider economy.



are particularly relevant during the COVID-19 recession. Development of an adequate forest road network is key to increasing efficiency of management of BiH's timber production forests as is the use of modern information technologies for planning and monitoring their operations. The Master Plan of Forest Roads in RS estimates that the internal rate of return in forest roads would be in the range of 16.4–20.0% due to increased accessibility and reduced harvesting costs. Increasing investments in these activities will in raise the revenues of public forest companies.

11. Enhancing forest management in public and private forests, will also strengthen the wood-based biomass energy value chain and contribute to air quality improvement. Wood-based biomass energy makes up a large share of total energy consumption in BiH, especially as a fuel for heating in the winter months. Improving productivity of private forests could increase the supply to the wood-based biomass energy industry and provide additional rural employment (production of wood-based biomass fuel could generate about 60 person-days of employment per year, not including the production and installation of boilers or the upstream forest management activities¹⁵). A World Bank 2017 analysis of the potential for using wood energy in the Western Balkan Region recommended among others, that BiH increase the use of low-quality wood from thinnings, but also residues during processing and, develop supply infrastructure and wood-based biomass fuel markets.

12. Improving forest management in BiH is essential for Greenhouse gases (GHG) sequestration and greater resilience to climate impacts. The country is expected to experience increased aridity through changes in precipitation patterns, reduction in rainfall and increased temperatures^{16,17}. The adaptive capacity for climate change in the forestry sector is still not developed, fire protection techniques are obsolete, and climate change issues are not fully integrated into sectoral strategies. Strengthening sustainable forest management in BiH not only increases economic returns through the wood processing industry but will also help the country reach its INDC targets¹⁸. These operations also increase resilience to climate induced risks such as fires and pests, landslides and floods. Other important co-benefits are the opportunity for increased nature tourism and biodiversity values of these forests.

13. Decisive action on policies and investments are necessary to increase the volume and unit value of output from the forest sector in the country. A multi-dimensional approach involving both public and private sectors is needed to prepare the forest and wood sector for a post-COVID resurgence. First, to assure private investors and incumbent enterprises, timber sales policies and regulations need to be revised to be transparent, efficient and competition based. Second, improving current business models and strengthening design and production processes of wood enterprises would be important to be more competitive in the neighborhood EU market. Third, increasing the efficiency and productivity of public sector forest management companies in both entities is important to build resilience to shocks and increase profitability.

14. Both Entity governments have established programs and strategies to develop the forest and wood sector but consistently lack resources to implement them. In FBiH, the Ministry for Energy, Mining and Industry has a strategy and action plan for the industry. Both Entities have SME support programs that can be accessed by the wood industry. While

From Nair, C. T. S and R. Rutt 2009. Creating forestry jobs to boost the economy and build a green future. Background paper for the special event "Impacts of Global Economic Turbulence on the Forest Sector" at the nineteenth session of the FAO Committee on Forestry, Rome, 20 March 2009. FAO.

¹⁵ UNDP 2016. Analysis of the Benefits of Wood Biomass Fuel Switch Projects implemented by UNDP in Bosnia and Herzegovina

¹⁶ <https://climateknowledgeportal.worldbank.org/country/bosnia-and-herzegovina>

¹⁷ Second National Communication of BiH under the UNFCCC. 2013. https://unfccc.int/sites/default/files/resource/SNC_BosniaHerzegovina.pdf

¹⁸ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Bosnia%20and%20Herzegovina%20First/INDC%20Bosnia%20and%20Herzegovina.pdf>



production forests in FBiH and RS have management plans and forest roads master plans¹⁹, these have not been fully implemented. The RS Forestry Development Strategy (2011–2021)^[1] focuses on sustainable development of forestry to enhance and maintain all forest functions and on improved contribution of forestry to rural and overall social development. The proposed project will support these government initiatives and, promote a circular economy approach to enhance the performance of the wood-processing industry, increase demand for wood and raise revenues for forest management, which in turn will enhance sustainable wood supply.

Relationship to CPF

15. The proposed project is aligned with the World Bank Group's "Saving Lives, Scaling-up Impact and Getting Back on Track", COVID-19 Crisis Approach Paper (June 2020), by supporting the pillar on 'WBG support for *strengthening policies, institutions and investments* for resilient, inclusive and sustainable recovery by Rebuilding Better'. It is also aligned with the World Bank Country Partnership Framework (CPF, 2016–2020; extended for 2021) and contributes to CPF *Objective 2a: Support a competitive business environment and access to finance; CPF Objective 3a: Prevent the degradation of natural resources; and, CPF Objective 1b: Strengthen the governance and reduce the fiscal burden of SOEs.*

16. The proposed project also helps BiH align with The Green Agenda for the Western Balkans, under the European Green Deal. By stimulating better management of forests, increasing sustainable supply of wood for construction wood-based biomass energy and, increasing green jobs it will help unlock the potential for a green low carbon circular economy.

17. The proposed operation will be complementary to other World Bank operations-(i) the Supporting Better, Effective, Sustainable and Transparent SOEs (BEST-SOEs) in Bosnia and Herzegovina to enable public sector reforms in forestry; and, (ii) the BiH Firm Recovery and Support Project (P174604) which could help wood processing firms affected by COVID-19 access to longer-term finance.

C. Proposed Development Objective(s)

18. The PDO is to *strengthen the performance of wood processing enterprises and sustainable forest management in selected areas of Bosnia and Herzegovina.*

Key Results (From PCN)

19. Key results/PDO indicators:

- Increase in sales/revenue of participating enterprise (%) (CRI)
- Increase in roundwood sales through market-based mechanism (%)
- Land area under sustainable landscape management practices (CRI) (ha)
- Net greenhouse gas emissions (CRI) CO₂eq

20. Gender and citizen engagement indicators will be included as intermediate results.

D. Concept Description

¹⁹ The master plan for Federation is currently going through public consultations and has not been fully confirmed.

^[1] RS is preparing a new Forestry Development Strategy (2021 – 2031).



21. **The proposed projects contributes to a circular forest-based economy and a more sustainable COVID-19 recovery by:** (i) removing distortions in timber sales policies to level the playing field for private enterprises and improving the performance of the wood processing industry; and, (ii) enhancing the sustainable production of wood from public and private forests by better management practices and technologies to increase production, reduce costs, and improve productivity [as shown in the Theory of Change diagram (Fig. 1)]. The project will not directly address broader public sector governance reforms other than those related to timber sales policy. Broader SOE governance reforms are expected to be supported through the Bank's BEST-SOE operation, currently under preparation.

22. **Project Area:** In both Entities project investments will be made in public-owned production forest sites with approved management plans. No investments will be made in Brcko District, or in legally designated protected areas or in lands where ownership is under dispute. Project activities in areas with landmines may be undertaken after prior agreement with the World Bank and after ensuring that de-mining procedures are followed as per World Bank policy and relevant international agreements²⁰.

23. **Beneficiaries.** Project investments are expected to benefit small- and medium-sized wood processing enterprises, rural private forest owners as recipients of technical assistance and financing to improve their businesses. Forestry operations including, the raising of planting material, planting works, road works and maintenance, and harvesting and other operations will provide short- and medium-term job opportunities and entrepreneurial opportunities.

Component 1. Enhancing the performance of wood processing enterprises (approx. USD 22 million)

24. This component aims to strengthen processing enterprises to improve productivity and enhance profitability through: (i) reforms of the timber sales mechanisms in the public sector, combined with technical, market information and skill development services for the industry; (ii) matching grants to wood processing enterprises to strengthen performance; and (iii) matching grants to rural wood-based biomass energy enterprises.

25. **Subcomponent 1.1 Policy, technical, market and skill development services for the wood industry:** This sub-component will finance (i) a review and revision of the legislative and administrative processes to improve the timber sales system and, development of an electronic timber sales platform; (ii) a public-private dialogue (PPD) mechanism on market information and advisory services; and, (iii) establishment of wood competence centers for training, accreditation and applied research. The wood competence centers would be associated with an academic center and serve to provide product testing, and on-demand training for enterprises to improve skills and product design and quality. It is expected that recurrent costs of the centers could be covered by user fees. The PPD could be a self-standing institution or part of an existing platform.

26. **Sub-component 1.2 Matching Grants to support innovation and enterprise development.** The project will provide Technical Assistance (TA) and matching grants to private small and medium-sized enterprises. TA support would be for business development services (including investment plans which could be presented for financing to commercial financing institutions). Matching grants would be offered for industry certifications, improved technology and design or for other support mechanisms²¹. A manual of operations for matching grants will be developed to spell out the criteria and institutional process for selection of beneficiaries.

²⁰ The World Bank and its staff does not express any opinions on the risks associated with technical aspects of demining. (OPCS, November 5, 2019)

²¹ In many advanced segments, buyers are requiring wood industry suppliers to deliver products/services according to a demanding set of standards. Many wood processing firms are reluctant to enter into these segments when the contracts are written with such high penalties.



27. **Sub-component 1.3. Strengthening wood-based biomass energy production.** The project will support the production of wood-based biomass energy fuels through capacity building and training activities, focusing on the production and storage of the different types of wood fuels (split fuelwood, chips, and pellets). This high-quality fuel will contribute to improving air quality which is rated among the lowest in the region due to burning of low quality fuel. The project will support small businesses through grants or matching grants for: i) establishing or expanding wood-based biomass energy production, especially wood chip and pellet production; and ii) investment in storage capacity for high-quality wood-based biomass fuels to improve drying for higher energy efficiency of wood fuel and increase feasibility for round-the-year production. Beneficiaries (rural communities and private forest owners) will receive technical assistance where needed. Increased production of wood-based biomass energy will improve the demand for small diameter wood increasing the incentives for thinning and coppice conversion under Sub-component 2.1. This supply of wood-based biomass energy will also complement the Energy sector project under preparation. Criteria for selection of beneficiaries and procedures for administration of the grants will be developed during preparation.

Component 2. Sustainable Forest Management (approx. USD 28 million)

28. **Sub-component 2.1. Sustainable forestry operations.** This subcomponent will build on successful practices demonstrated under the Sustainable Forest and Landscape Management Project (P129961, SFLMP, 2014–19). The project will finance investments in improved management of existing forests, restoration of degraded forests and landscapes and forest protection (including fire management) and intensive silvicultural treatments (including re/afforestation, thinning and other improved forest management operations). These would be based on the public enterprises' forest management plans and the strategic reforestation strategy in RS. Investments would also include increased and improved nursery capacity, and fire management and prevention (infrastructure and machinery) as well as other forest protection investments. In addition, in FBiH, the project will finance a participatory process and technical assistance to develop a comprehensive legal and regulatory framework at the entity level (i.e., a new Forest Law) covering forest management and utilization. These interventions will increase GHG sequestration capacity of the forests and increase resilience to fires and pests.

29. **Sub-component 2.2. Increasing productivity in forest operations.** Investments will be in improved forest infrastructure and efficient and environmentally friendly harvesting machinery, construction and rehabilitation of forest roads, purchase of equipment and software and training of personnel. The project will include opportunities for training and skills development to employees in forest operations. The new jobs created would be more specialized, requiring training and provide round-year employment as opposed to seasonal manual harvesting. It is expected that the public companies will lease the improved machinery to private contractors for harvesting, to help the private sector operate in this space.

30. **Sub-component 2.3. National Forest Inventory (NFI) and Information Management.** A national inventory will be financed, and a long-term national forest inventory system will be developed. Information management systems will be strengthened to aid efficient management of the forest resource and to improve transparency in both timber sales and public engagement. Investments in georeferenced data systems, communications, public access to data, online timber sales would be needed. In the Federation, this would also include harmonization and synchronization of data systems between the entity and cantonal levels integrating the forest management information systems in the entity from the field to central level.

Therefore, matching grants could be utilized to mitigate contract penalty claims for firms attempting to develop innovative products for new buyers for the first time.



31. **Subcomponent 2.4. Support to private forests.** Private forest owners would be supported to improve their management practices, for example, through certification, establishing a private forest owners’ association and extension services. These activities would help improve the supply of raw material for production of wood pellets and other forest products from these lands.

Component 3. Project Management (approx. USD 5.0million)

32. This component will finance the Project Implementation Units (PIUs) responsible for project management and, the incremental costs associated with project management – e.g. procurement of consultants, civil works, training, equipment; financial management and reporting; and, monitoring and evaluation as well as activities necessary to ensure compliance with the environmental and social framework and studies and surveys as needed during implementation. The establishment and maintenance of the grievance redress mechanism will be financed under this component.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The proposed environmental and social risk ratings of the project are Substantial.

The impacts associated with activities under Component 1 include: management of waste (old, obsolete equipment), management of grease and oil wastes, management of wood processing waste and its reuse as pellet, air and dust emissions, workplace safety and OHS. All of these can be readily mitigated through sound mitigation and monitoring plans. Under component 2, the Project will support improved forest management services, All such activities will be guided by site-specific Environmental and Social Management Plans and the main environmental impacts identified at this stage include impacts on habitats, expansion of forested areas, impacts on erosion, water bodies including groundwater and generation of dust and noise and OHS.

An Environmental and Social Management Framework (ESMF) will be developed to integrate requirements of the Bank's ESF, in particular ESS1 and ESS6, and also the forest management practices and procedures, including requirements of the FSC and with references to the relevant WBG EHS Guidelines on Forestry: a) Board and Particle-based Products; b) Forest Harvesting Operations; c) Pulp and Paper Mills, and d) Sawmilling and Wood-based Products. The ESMF shall also include a framework for screening of all activities proposed under the grant schemes of Component 1. The ESMF will screen out activities of high and substantial risk and help develop site specific ESMPs. The ESMF will include an Integrated Pest Management plan and shall also include a screening procedure for ensuring there are no mined areas in the Project sites, including a chance finds procedure for UXOs in line with the BiH Mine Action Center protocols and the UNMAS (United Nations Mine Action Service).



The Social impacts are currently considered substantial but the rating will be revisited by appraisal and will rely on findings of the social impact assessment to be conducted. This assessment will identify the magnitude of impacts to land acquisition, potential loss of livelihood, persons vulnerable across project activities and the correlation between the forests, ecosystem services and streams of livelihood. The key social risks are attributable to the small to medium scale construction of forest roads, thereby associated land acquisition, potential impacts to users of natural resources and equal access to the matching grant schemes. The Construction works associated with the forest roads may expose the laborer and community to risks from on site and of-site activities. The portfolio the matching grant schemes will create an enabling environment for vulnerable groups in the context of the project such as women-owned SMEs, young forest production owner are likely to have inequitable access to project supported products and services because of the drivers of their vulnerability (i.e. limited economic potential, low margins, low financial resilience etc).As microentrepreneurs, women have proven themselves capable of operating and adapting to renewable energy technologies on their own, when provided with the appropriate training and support. The social risks associated with the Project will be addressed through the Projects Environmental and Social Management Frameworks (ESMF) , Resettlement Policy Frameworks (RPF), Stakeholder Engagement Plans (SEPs), Project, Labour and SEA/SH specific GRMs in line with applicable Environmental and Social Standards (ESS) of the WB's ESF and the WHO COVID -19 guidance tools to appropriately manage pandemic risks associated with stakeholder engagement activities and labor and workforce. The Borrower will commit to this through the Environmental and Social Commitment Plan (ESCP). The project will incorporate budget for outreach activities and community engagement strategies related to all components with a focused strategy for potential matching-grants and grants recipient, guided by the SEP, to minimize the risk of exclusion of vulnerable individuals and groups, both with regards to accessing project benefits but also to be included in the Project M&E.

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APPROVAL

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