



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Jun-2019 | Report No: PIDC26190

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

Country Georgia	Project ID P169393	Parent Project ID (if any)	Project Name Georgia - Forests for Resilience and Economic Transformation (FoRET) Project (P169393)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Jan 06, 2020	Estimated Board Date Mar 27, 2020	Practice Area (Lead) Environment & Natural Resources
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Environmental Protection and Agriculture	

Proposed Development Objective(s)

Improve multipurpose management of and increase economic benefits from forests in targeted areas

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

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	25.00
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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

B. Introduction and Context

Country Context

1. **Georgia has undergone significant transformations over the past 25 years, achieving middle-income status, dramatically reducing extreme poverty, and implementing social policies to support its poorest regions and segments of the population.** It currently has a population of 3.73 million (3.99 million including Abkhazia and South Ossetia) down by over 25 percent from 5.1 million in 1995. Some 43 percent of Georgia's population live in rural areas. In 2017, GDP per capita was US\$4,057. Georgia has had healthy economic growth in the past years and reforms have favored economic growth and poverty reduction: between 2000 and 2017, the economy grew at an average annual rate of 5.4 percent. After the economic downturn of 2008–09, fiscal stimulus and a pickup in external demand helped growth rebound to 4.8 percent annually during 2010–17. The poverty rate decreased from 37.4 percent in 2007 to 21.3 percent in 2016 and reforms have helped to improve the income and living conditions of the bottom 40 percent of the population. Yet, poverty stands at 26 percent in rural areas, compared to 17 percent in cities. While Georgia's growth outlook is expected to remain positive over the medium term, roughly one in every five Georgians is still poor, and almost half the population is vulnerable to falling into poverty, with female-headed households particularly affected. Gender inequalities are explained by the availability of fewer economic opportunities for women.

Sectoral and Institutional Context

2. **Georgia is among the most forested countries in the Europe and Central Asia (ECA) region and globally with forest cover accounting for about 40 percent of the territory, estimated at 2.77 million hectares.** Practically all forests are state-owned. Forests are primarily managed by the National Forestry Agency (NFA) and the Agency for Protected Areas (APA) with smaller areas managed by other agencies. Some 98 percent of forests are mountainous and poorly accessible. Forest cover and population density vary considerably. Georgia is also one of the global biodiversity "hot spots". Endemic species comprise about 9 percent of Georgia's flora and there are about 4,200–5,000 species of vascular plants of which some 400 are endemic to Georgia and about 600 to the Caucasus. There are 61 endemic woody species.

3. **The forests of Georgia under pressure from unsustainable use resulting in deforestation, and even more importantly, degradation of forests leading to loss of biodiversity, soil erosion and natural disasters, increased GHG emissions, and disturbances in supply of water from watersheds.** Based on existing, yet limited data, it is evident that there is a decline in the productive long-term capacity of forests to deliver forest products and services in the future to meet the increasing needs of the Georgian economy and contribute sustainably to improving the livelihoods of people in mountainous and other rural areas. The impacts of these negative trends include fiscal and economic losses at national scale and adverse impacts on nature-based tourism, which has become a major export industry for Georgia.



4. **The rural population, and in fact Georgia as whole, is dependent on fuelwood as an energy source both for heating and cooking.** The share of fuelwood of household energy use is estimated at 87 percent in rural areas, and around 16-17 percent in urban areas, suggesting that about 45 percent of the Georgian population depend on fuelwood for their energy. Poor households have a much higher dependence on forests with forest income accounting for about 39 percent of their total income. Non-wood forest products including mushrooms, nuts, berries and medicinal plants are important for the wellbeing of rural people and can also provide income to local households. Dependence on fuelwood also has health impacts as demonstrated by high levels of indoor air pollution in the country.
5. **While the forest sector's direct economic contribution is relatively small at just 0.4 percent to GDP, there is potential for growth and contribution to national socioeconomic development, particularly in rural areas,** if investment needs in the sector are addressed. However, this potential is constrained by significant challenges that underline the need for support, and are most often related to: governance; institutional structures and enabling environment; and the continuing and uncertain transition to market economy. Currently formal employment in forest-based value chains is still small. If the potential in forest sector development is fully tapped, it would also provide opportunities for job creation.
6. **Georgia is exposed to major climate risks and natural hazards, and climate change poses a major threat to forests.** Observed and anticipated climate change impacts are expected to exacerbate natural and environmental vulnerabilities and increase the occurrence of extreme weather, flash floods, and related landslides. Annual temperatures are expected to increase by 2.5°C 2040–2059 (Representative Concentration Pathway 8.5) and may increase by as much as 7.1°C by the end of the century. Rainfall is expected to be more intense. Variable precipitation coupled with increased heat is also projected to raise the probability of severe droughts. In the forest sector, climate impacts may lead to increased frequency of forest fires, as well as pests and disease outbreaks, which affect forests' carbon sequestration ability and resilience. In recent years the frequency and intensity of natural and anthropogenic disturbances appear to have increased as demonstrated by the big wildfires in Borjomi in 2008 (800 ha) and again in 2017 (1000 ha).
7. **Georgia has been going through a reform process in the forest sector in recent years.** Its full-scale implementation will require major investment funding from diversified sources in the coming 10–15 years. A draft Forest Code was submitted for parliamentary approval in February 2019. The code is based on modern multipurpose management of forests to benefit a broad range of stakeholders. It includes the principle of dividing the national forests into four functional categories: protected forests; protective forests; resort and recreation forests; and utilization/production forests. It also establishes new and improved institutional set-up with forest policy, management and supervision functions clearly separated. The principle of sustainable forest management, including protection functions, cuts across these functional categories and across newly defined ownership categories. These policies importantly discontinue the social harvesting system as one of the key measures to enhance sustainability of forestry.

Relationship to CPF

8. **The proposed operation is aligned with the Georgia - Country Partnership Framework (CPF) for the period FY19-22, specifically Objective 3.3: Enhance management of natural resources and climate risks.** Building on the World Bank's support for environmental reform and drawing on well-established working relations with several national and international nongovernmental organizations (NGOs), the CPF aims to improve capacity for natural resource management and increase the sustainability of Georgia's forests. The proposed operation contributes to the CPF's expected outcome that a greater proportion of forest resources will be under sustainable management and the costs of land degradation and deforestation be reduced.



C. Proposed Development Objective(s)

Improve multipurpose management of and increase economic benefits from forests in targeted areas

Key Results (From PCN)

9. The key PDO result indicators will be:

- Forest area under multipurpose management according to defined criteria (ha)
- Fuelwood sold at market prices (Yes/No)
- Share of timber sold as higher value assortments (%)
- Targeted beneficiaries with increased benefits from forests and processing (number) (disaggregated by gender)
- Citizen engagement indicator(s) (to be developed at pre-appraisal)

D. Concept Description

10. **Component 1 – Improving National Capacity for Multipurpose Forest Management and Implementation: US\$4 million.** This component aims at (i) ensuring adequate national level support for implementation of sustainable forest management and forest restoration/rehabilitation as well as forest control, and (ii) providing support to national level organizations to strengthen fire management, and development of multipurpose seedling capacity (nurseries). The proposed activities are expected to generate adaptation co-benefits through increased resilience of the forest sector to climate change and mitigation co-benefits through support for improved forest fire management.

11. **Component 2 – Improvement of sustainable forest landscape management and law enforcement in target areas: US\$20 million.** This component will focus investments in development and implementation of multipurpose forest management plans and forest restoration in target forest areas (incl. training and law enforcement and supervision) and support the establishment and management of Emerald Network sites. Activities will include improvement of silvicultural operations (thinning, sanitary felling, etc.), restoration and rehabilitation of areas, infrastructure including forest roads and storage warehouses, fire protection, tree planting for production, and capacity for forest law enforcement. This will contribute to transforming identified degraded and deforested land into resilient, multifunctional assets that can contribute to local and national economies, sequester carbon, strengthen food and clean water supplies and safeguard biodiversity. Local communities and community members, private sector, as well as NGOs will be involved in the operations as much as feasible. Over the long term, these interventions will support making production forestry financially self-sustaining.

12. **Component 3. – Economic development and tourism: US\$4 million.** This component aims at addressing job creation and economic growth in target areas. It will enhance sustainable use of recreational potential of forests – especially those not included into the designated protected areas and, therefore, lacking respective management plans and infrastructure. This will, for example, include supporting local communities and entrepreneurs in tapping on the increased tourism to Georgia by supporting rural tourism operators. Communities may also be supported in creating other forest-based enterprises such as wood processing for local and regional markets; and supply of non-wood forest products. Particular focus will be on businesses owned and managed by women. The component will also address household energy supply needs.



13. The target areas for Components 2 and 3 will be identified during preparation. The selection criteria would include such factors as current capacity, local investment needs, condition of the forests and resource base, demographic change and pressures on the forests. One essential criterion would also be complementarity with other activities by Georgia's development partners.

14. **Component 4 – Project Management: US\$2 million.** This component provides support for day-to-day management of the project, monitoring and evaluation, and reporting so that financial management, procurement and reporting of project activities are efficient and meet all relevant requirements of the Georgian government and the World Bank.

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

Main social risks and impacts of the Project are related to the broader forestry management sector reforms to which the project will contribute. Specifically, impacts may arise from the expected elimination of the 'social cutting' system, which provides 600,000 families with the right to harvest fuelwood under the supervision of the National Forest Agency. These potential social risks and impacts are also related to potential loss of livelihood due to restriction of access to timber and non-timber forest products among forest-dependent communities, and potential loss of domestic heating and availability of timber as a result of discontinuation of social cutting. While such risks and impacts will occur even without the project, since the Government is pursuing the forest sector reform independent of the Project, many actions to be supported under the Project will help contribute to the design and implementation of the reform process including the mitigation of potential negative impacts. Social risks and impacts related to labor, community health and safety including labor influx and gender-based violence, are assessed as low to moderate. The project will invest in small and medium infrastructure including 100-200km of new roads, upgrading of existing forest roads, construction of storage warehouses, among others. These investments may require some land acquisition, restriction to land use or removal of assets on the land.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

CONTACT POINT

World Bank

Tuukka Castren, Nina Rinnerberger
Sr Forestry Spec.

Borrower/Client/Recipient

Ministry of Finance
Nikoloz Gagua



Deputy Minister

tbd@tbd.com

Implementing Agencies

Ministry of Environmental Protection and Agriculture

Carl Amirgulashvili

Head of Biodiversity and Forestry Department

Karlo.Amirgulashvili@mepa.gov.ge

FOR MORE INFORMATION CONTACT

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 473-1000

Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):

Tuukka Castren, Nina Rinnerberger

Approved By

Environmental and Social Standards
Advisor:

Practice Manager/Manager:

Country Director: