



PROJECT EXECUTIVE SUMMARY

GEF COUNCIL SUBMISSION

AGENCY'S PROJECT ID: P087094
GEFSEC PROJECT ID: 2372
COUNTRY: Bosnia-Herzegovina
PROJECT TITLE: Forest and Mountain Protected Areas Project (formerly called Forest and Mountain Biodiversity Conservation Project)
GEF AGENCY: World Bank
OTHER EXECUTING AGENCY(IES): Ministries of Environment of Federation of Bosnia&Herzegovina and of Republica Srpska
DURATION: 48 months
GEF FOCAL AREA: Biodiversity
GEF OPERATIONAL PROGRAM: OP 3 (Forest Ecosystems; with linkages to OP 4 (Mountain ecosystems); and OP 13 (Conservation and sustainable use of biological diversity important to agriculture)
GEF STRATEGIC PRIORITY: SP-1 Catalyzing Sustainability of Protected Area Systems
Pipeline Entry Date: 11/13/2003
ESTIMATED STARTING DATE: January 2007


FINANCING PLAN (US\$)	
GEF PROJECT/COMPONENT	
Project	3,400,000
PDF A	
PDF B	
PDF C	
<i>Sub-Total GEF</i>	3,400,000
Co-FINANCING*	
GEF Agency	
Government	1,500,000
Bilateral	500,000
NGOs	
Others	1,500,000
<i>Sub-Total Co-financing:</i>	3,500,000
<i>Total Project Financing:</i>	6,900,000
FINANCING FOR ASSOCIATED ACTIVITIES IF ANY:	
*LEVERAGED RESOURCES IF ANY:	

*Details provided under the Financial Modality and Cost Effectiveness section

CONTRIBUTION TO KEY INDICATORS OF THE BUSINESS PLAN: 1) Area and formal protection (using all IUCN categories) increases by 3% or approximately 150,000 ha; 2) increase in management effectiveness of the following protected areas: Sutjeska National Park, Kozara National Park, Janj Forest Preserve, Lom Forest Preserve, Igman-Bjelasnica-Treskavica-Visocica National Park, Una River National Park
RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT(S):

Mr. Dragan Doko, GEF Operational Focal Point, Date: *March 30, 2005*
Ministry of Foreign Trade and Economic Relations

Approved on behalf of the World Bank. This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for work program inclusion

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May 2, 2006

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PROJECT SUMMARY

a) Project rationale, objectives, outputs/outcomes, and activities.

Bosnia and Herzegovina (BiH), with a land area of 51,000 km² and an estimated population of 3.5 million, is endowed with internationally recognized rich biodiversity assets. About 50% of the country is covered by forests and 25% by pastures. It is mostly hilly and mountainous, with only 5% of territory classified as plains, 24% as hills, 29% as Karst and 42% as mountains.

Its rich biodiversity includes over 5,000 confirmed taxa of vascular flora, including 450 of which are endemic to BiH only. For several taxonomic groups (e.g., lichens, mosses, algae, fungi, and bacteria) comprehensive surveys do not exist, but available data indicate these groups are also highly diverse. BiH's forest resources are among the richest in Europe with a wide variety of coniferous and deciduous species. Its large blocks of forests maintain ecological integrity; river dynamics; and large carnivore dispersion between Central and South-East Europe. Forests also help sequester CO₂.

Much less is known about fauna than flora -- inventories are not complete, and uniquely for Europe, BiH does not yet have its own official Red Lists. However, it is known that at least thirty-two species of animals and plants found in BiH are on the 2002 IUCN Red List of threatened species. The presence of large carnivores in some parts of the country indicates the food chain is still complete. Keystone species include bear, wolf and river otter. Interesting flagship species are bats, of which several are considered in vulnerable status.

There are numerous threats facing BiH's biodiversity assets. The main overarching issue is the challenge of balancing economic development of a post-conflict country with conservation of globally significant natural resources. Currently only 0.55% of the territory is formally protected, which is the lowest level in Europe, compared to the regional average of 7%. Broad consensus on expanding the network of protected areas exists among stakeholders at all levels in both entities. Key ministerial officials, as well as local governments, and numerous civil society organizations, are committed to developing a system of protected areas which would protect key biodiversity and cultural assets, as well as providing new income opportunities for local residents¹.

However, in the absence of a strong national and local level capacity to protect natural resources, economic development, including that of the forest and wood processing industry, has damaged and could further harm BiH's ability to preserve its biodiversity in the long term. In forest and mountainous ecosystems, the government must cope with competing interests in dealing with the following obstacles:

- inadequate funding for priorities in biodiversity protection within different institutions at state, entity and local levels;

¹ As a result of the Dayton Peace Accords (1995), in addition to government authority centered at the 'state' level, Bosnia-Herzegovina is divided into two Entities - The Federation of Bosnia and Herzegovina, and the Republika Srpska - each with its own complete governmental administrative structure. Hence, in most areas of natural resources management, the Entities have responsibility for creating and implementing all relevant laws.

- inefficient implementation of existing legislation, and problems in developing and maintaining efficient monitoring systems;
- lack of an institutional framework, as well as lack of agreed standards for sustainable management of natural resources, between different levels of government;
- lack of collaboration between institutions to sufficiently incorporate biodiversity conservation and ecosystem approaches (including a move to new technologies for landscape management) into traditional forest management as well as physical planning;
- lack of awareness and information in civil society and government institutions regarding biodiversity conservation; and
- a tradition of limited public participation in the decision making processes.

The Project Development Objective is to strengthen the institutional and technical capacity for sustainable protected area management and expand the national network of forest and mountain protected areas. The project's global environmental objective is to conserve globally significant biodiversity in critical forests and mountain ecosystems of BiH. The project focuses on: improving the management effectiveness of four existing protected areas; bringing two additional sites under protected status; and promoting sustainable natural resource management and biodiversity conservation in their buffer zones.

Outcomes (see also LogFrame, Annex B)

Project outcomes are:

- Expansion of the national network of forest and mountain protected areas
- Increased management effectiveness of four existing and two new protected areas
- Existing PA operations improved and new PA established and capitalized
- Planning, management and leadership skills of institutions responsible for biodiversity conservation and sustainable land use increased
- Environmentally and economically sustainable natural resource use and tourism development in protected areas and buffer zones promoted

The Project is comprised of three components:

Component 1: Physical Improvement of Existing Protected Areas, and Establishment and Operationalization of Critical New Priority Areas (total US \$2.76 million, of which US \$1.4 million is GEF). The project will finance development and implementation of new management plans, emphasizing ecosystem approaches, and approaches for participatory land use planning; new infrastructure, and limited small-scale building rehabilitation, necessary for improving the operations of existing PAs, and for capitalizing the newly created protected areas. Infrastructure is generally "soft", e.g. trail improvements, new trail creation, signage, resting places, park boundary markings, etc. In addition, the project will finance some limited goods for park operations, as well as technical assistance. The project will also implement some elements of the financing strategy for the PA system developed under the IDA-supported FDCP, including increasing the tourism capacity. The project will fund promotion and marketing activities, and assist with introduction of a standardized visitor fee structure for individual NPs and associated protected areas.

In the first year of implementation, the project will focus its support on the development of land use management plans for the two existing National Parks (NPs) Sutjeska and Kozara and for the Janj and Lom Forest reserves, while the development of new management plans for Una River and Igman mountain complex will likely begin near the end of Project Year 1. Implementation of the management plan is expected to start as early as Project Year 2. The project will also undertake feasibility studies regarding the potential to expand the already existing protected areas. Taking into account potential disagreement of expanding the current borders of the PAs, the project will work with all stakeholders concerned to develop and implement different models of PA expansion and management (e.g. PA zoning, joint management of adjacent areas, etc.).

The emphasis on establishment of new areas directly supports the ongoing efforts at the Entity level to bring additional areas under formal protection. In total, approximately 150,000 new hectares are to enter formal protection status. These areas will be a mix of national park and protected landscapes, along with some areas managed as strict nature reserves.

Component 2: Strengthening of Capacity at Local, Entity and State Levels for Biodiversity Conservation and Sustainable Land Use Practices (total US \$2.72 million, of which US \$1.6 million is GEF). The project will finance capacity building, learning and skill development at local, Entity and State levels in order to strengthen the institutions responsible for planning, establishment and management of protected areas throughout BiH and to ensure the sustainability of the expanded protected area network. Training will particularly focus on building new competencies for multiple use management of protected areas of all categories in BiH. An important aspect of the training will be with forest sector professionals, to give them new skills to promote forest management planning which incorporates biodiversity conservation at the level of the ecosystem, rather than the forest management units.

At Entity and State level the project will finance capacity building for the Ministries in charge of protected area management and land use planning (including the National Biodiversity Committee), so that these institutions would be capable to provide leadership for biodiversity conservation. This will include: (i) increasing capacity to implement the strategy for the establishment of an effective system of protected areas currently being prepared with UNEP support (and therefore fulfill the criteria outlined in the EU directive for the Natura 2000 network); (ii) creating an outreach program to raise public awareness for biodiversity protection and conservation; (iii) establishing a biodiversity monitoring system for the PAs supported by the Project which can then be expanded at State level; and (iv) strengthening cross-border initiatives to conserve high conservation value ecosystems in the Balkans, through targeted training with neighboring PA authorities.

At the local level the project will finance professional development in three areas: (i) protected area training (e.g. courses in forest and range management, visitor management and interpretation); (ii) ranger training, including patrolling and enforcement, working with local communities and user groups to build understanding and support for PAs; and (iii) business planning, which will include assistance in marketing, financial management.

Additional support would be aimed at building the institutional and technical capacity to access the different EU funding programs and instruments to finance nature conservation (including the Natura 2000 network) once BiH will become eligible to take advantage of these funds.

In addition to the biodiversity monitoring system, under this component the project will establish a Monitoring and Evaluation (M&E) system, based primarily on the GEF Protected Area Management Tracking Tool for Biodiversity. The tool is currently under discussion with the counterparts and will be finalized prior to Appraisal, based on stakeholder workshops to be undertaken in May 2006. Component 2 finances also project management and operating costs.

Component 3: Generation of Alternative Rural Livelihood Opportunities through Wise Multiple-use of Protected Areas (total US \$1.42 million, of which US \$0.4 million is GEF).

The Project will provide financing to establish and operate a Small Grants Program (SGP) in order to support stakeholders living in and around protected areas in small-scale tourism development activities which directly or indirectly contribute to biodiversity conservation and to provide incentives for stakeholders to change current unsustainable land use practices that have an adverse impact on the natural resource base in or adjacent to the protected areas and pose a threat to biodiversity. Sub-projects funded under the SGP will be targeted towards developing new livelihood options which promote ecologically friendly tourism and improve land use practices in support of the project overall objective of increasing PA sustainability. Sub-projects could include small-scale waste management/recycling initiatives, habitat restoration, alternative energy promotion (e.g. small-scale hydropower), environmental and cultural education, eco-tourism programs and facilities, and community-based monitoring. Eligibility criteria and procedures for the operation of the competitive grant program will be detailed in the SGP Operational Manual that will be finalized at project appraisal. GEF co-financing will be limited to activities that can demonstrate biodiversity conservation benefits and will be only incremental to what provided by the project and the beneficiaries. Beneficiaries are expected to contribute at least 10% of the overall project budget and in some cases up to 50%. To ensure sustainability of the SGP, the project will help beneficiaries with business planning advice, market research, and links to other tourism/rural development initiatives (such as the Cluster Competitiveness Activity in USAID).

b) Key indicators, assumptions, and risks (from Logframe)

Key performance indicators associated with the above objectives are:

- Area under formal protection (using all IUCN categories) increases by 3% or approximately 150,000 ha;
- Portion of recurrent management costs covered by PA income increases to 15% from budget allocation, 40% from entry/service fees (for existing parks) and 25% from fees for new PAs
- New ecosystem approaches such as PA zoning, joint management, etc. are implemented in at least 3 PAs
- Increase in management effectiveness of 6 PAs (indicator to be determined at CEO endorsement)
- 200,000 ha of buffer zone areas supporting sustainable natural resource use and biodiversity conservation

Assumptions

Project design assumes environmental and economic benefits arise through physical investment, development of new strategies, capacity building and training. The project will assist PA authorities (and where needed, forest enterprise authorities) to increase their management efficiency, develop new ways of sustainably funding their operations, capitalize important physical investment, and improve harvest management. The project will also implement a Small Grants Program to assist communities in and around PAs in developing sustainable alternatives for revenue generation that support sustainable natural resource use and conservation.

Through the expansion of protected areas covered and shareholder capacity enhancement activities, the project will generate significant mutual economic and environmental benefits by: (i) creating the opportunity for creating jobs from better utilization of non-timber values of these forests, particularly from tourism and recreation, including hunting, gathering of berries, mushrooms and herbs; (ii) securing conservation of biodiversity in internationally important critical forest habitats including HCVEs; and (iii) conservation and improved management of globally significant endemic biodiversity and landscape values of sensitive ecosystems. The incremental costs are for those activities that achieve country and regional benefits by (i) supporting protected areas planning; (ii) establishing PA management and building public awareness of biodiversity conservation and IUCN categories in the region; and (iii) increased national capacity to manage the protected areas' natural resources sustainability and conserve their globally important biodiversity. The GEF assistance will help to mainstream biodiversity conservation in landscapes where the primary emphasis is on economic uses, thus this project emphasizes all IUCN categories.

Finally, this project will provide small grants to stimulate local enterprise and to enable new revenue sources. The result will be improved sustainable revenue generation through improved management, i.e. harvest, operational activities; and the utilization of the area in alternative means such as tourism. Therefore, the social and economic impact of the project activities is expected to be positive including the generation of employment in rural areas.

Critical Risks and Possible Controversial Aspects Table from the Project Brief

Risk	Risk Rating	Risk Mitigation Measure
Insufficient government commitment to adopt and implement required PA regulations as well as provide the necessary budget allocation	M	Project addresses State and Entity priorities set forth in the MDTS as well as the NEAP Adoption of recommendations from the financial sustainability study
Influential groups resist the establishment of protected areas and substantive reforms in management of sites at Entity and cantonal levels	S	Project preparation used participatory approaches to achieve broad stakeholder agreement and political buy-in
Inadequate local commitment to specific ecosystem-based land use management	M	Local stakeholders will have access to financial incentive to change unsustainable management practices
Protected areas selected do not materialize due to political interference.	M	Additional alternative protected areas feasibility studies are funded. Major

		investments done early in project implementation.
Strong resistance against extension of current PA borders	M	Project will develop different options of increasing area under formal protection (multiple protection categories within one PA, joint management approaches, etc.)
Implementing agencies may be unable to attract and retain qualified staff.	M	Project will provide training and career development benefits.
Overall Risk Rating	M	

2. COUNTRY OWNERSHIP

a) COUNTRY ELIGIBILITY. BiH ratified the international Convention on Biological Diversity (CBD) in August 2002. It is now able to take advantage of financial instruments available for funding global public goods. Initial PCNs for reducing pollution of the Bosna and Neretva rivers, and for improved management of the Neretva river and delta, have been approved by the GEF secretariat under the International Waters, Integrated Ecosystems and Biodiversity OP, and a proposal is being developed by UNDP under the Climate Change program. However, there has not been yet any GEF-financed support to conservation management of BiH's forest ecosystems, even though these comprise 50% of the country's land area.

COUNTRY DRIVENNESS: The President of BiH and the Council of Ministers, along with the Governments of the RS and FBiH are strongly committed to protecting and maintaining biodiversity throughout the country. Although in past years, priorities have been focused on social and economic aspects, recently the Governments' attention both in the RS and FBiH has been focused on improving environmental management at all levels and a greater emphasis is now placed on maintaining landscape and ecological diversity. This commitment is evident in the following recent actions:

- Publication of the National Environment Action Plan
- Establishment of a joint entity Environmental Steering Committee for BiH.
- Establishment of a joint entity GEF focus point for BiH
- BiH is preparing its Biological Strategy and Action Plan

Within both Entities new legal frameworks have been established and new entity Laws on the 'Protection of Nature' have been adopted. The law stipulates the revitalization, protection, preservation and sustainable development of valuable cultural and natural landscapes, the conservation of Bosnia's flora and fauna along with their habitats, and other components of nature such as geology and geomorphology that are component parts of the environment.

As a UN / ECE member BiH is a signatory to the Pan-European Biological and Landscape Diversity Strategy (PEBLDS) and is currently establishing the basis for participation in the pan European EMERALD Network of PAs. BiH is also a signatory to the following conventions:

- ROME International Plant Protection Convention
- RAMSAR Convention on Wetlands of International Importance
- RIO Convention on Biological Diversity
- NEW YORK Framework Convention on Climate Change

3. PROGRAM AND POLICY CONFORMITY

FIT TO GEF OPERATIONAL PROGRAM AND STRATEGIC PRIORITY.

The project fully meets the requirements of OP 3 (Forest ecosystems) and complies to a great deal with OP 4 (Mountain ecosystems). The project also addresses OP 13 (Conservation and sustainable use of biological diversity important to agriculture). The emphasis on sustainable use and conservation is reflected in the close coupling in this proposed project of GEF resources, with the Forest Development and Conservation Project (FDCP), approved in June 2003, in which IDA resources are used to support the productive/sustainable use of forest resources.

The project strongly supports Pillar 1 of the GEF Strategic Priorities: Catalyzing Sustainability of Protected Areas, which is at the heart of all components. Components 1 and 2 support: (a) expansion of the areas under protection, to ensure a representative PA network (including development and implementation of multi-purpose management plans) and (b) strengthening of existing PAs, with support to implement their management plans. The Small Grant Program activities in Component 3 will contribute to long term sustainability of protected areas and adjacent areas, even if, as experience from other projects demonstrates, the grant program itself is not maintained in the longer-term after the Project. Sustainability of PAs will be enhanced through the development of alternative, environmentally sensitive, sustainable resource use that would generate global environmental benefits, as well as local economic benefits through new income generation opportunities. While confirmation on the focus of sub-projects will be reached only at project appraisal likely themes would include, *inter alia*, small-scale waste management/recycling initiatives, habitat restoration, alternative energy promotion (e.g. small-scale hydropower), environmental and cultural education, eco-tourism and community-based monitoring. SGP themes will be further developed as part of the development of PA-specific management plans, based on the most appropriate interventions in a given area. The Eco-Activity Facility (see below) would also have a role in sustainability of SGP-funded projects, by helping beneficiaries with business planning advice, market research, and links to other tourism/rural development initiatives (such as the Cluster Competitiveness Activity in USAID).

In addition, implementation of sub-projects under the SGP will help to build awareness in the country on the benefits of mainstreaming biodiversity, and this will be very useful in the future, in terms of leveraging pre-accession funds from the EU. Such leveraging of external funding sources by communities and individuals offers an excellent opportunity for longer-term sustainability of these activities. The Project's linkages with the FDCP and its efforts to reorient the forest estate also support this Pillar. Further, experiences gained with mainstreaming biodiversity will be important for longer-term access to external resources, particularly pre-accession funds from the EU.

SUSTAINABILITY (INCLUDING FINANCIAL SUSTAINABILITY).

The project is designed to achieve financial, institutional, technical, environmental and social sustainability. The Bosnian government provides budget support for biodiversity conservation with additional revenues obtained from timber harvesting. Although budgetary support is limited and primarily directed to cover salaries and operating costs, it represents a stable source of

financing. Under a new legal definition of PAs (now established as “legal bodies under public law”) PAs will be able to access additional government budget revenues, in particular for capital improvements, improving their financial sustainability in the near and future term.

The IDA-supported FDCP is financing a study on fiscal sustainability of PA management that is currently undergoing. The study will provide PA authorities with a broad ‘menu’ of options for improving the financial aspects of their operations. The GEF-funded FMPAP will assist the PA authorities to incorporate the appropriate options from this menu into their operations thus implementing some of the results of the study. More specifically, the development of management plans will include the most appropriate options for revenue generation. It should be noted that not all financing options will be appropriate in all places. For example, the Janj and Lom forest preserves will rely largely on government budget support, because they are strict preserves, and hence such options as entry fees, or other tourist fees, are not available. On the other hand, both of the proposed new National Parks (Una and the Igman Mountain complex) offer outstanding tourism opportunities, and are in fact already widely visited, particularly Igman. It is reasonable to assume that demand for the services in these parks will be sufficient to provide critical financial contributions to their long-term operations. Finally, the project will promote financial sustainability by supporting (eco-) tourism programs in protected areas where appropriate And by helping the SGP beneficiaries with business planning advice, market research, and links to other tourism/rural development initiatives.

The project will achieve technical, institutional and implementation sustainability by building on results achieved under the Bank’s two forest sector projects and by applying all Bank fiduciary, social and environmental safeguards..

Social sustainability will be achieved by including relevant stakeholders in developing a country-wide approach towards the expansion of the network of protected areas, by incorporating community needs into PA and landscape management approaches and by building awareness on the benefits of mainstreaming biodiversity, through the SGP.

REPLICABILITY.

Replicability is primarily oriented towards the transfer of good PA management practice from implementation of new techniques in existing PAs, to new PAs, both within the FMPAP plan, and in future protected areas within the country. Replicability will also be enhanced through concerted public communications campaign, and related marketing of BiH’s protected areas. In total, approximately US \$300,000 is directly budgeted to support these activities. This includes, *inter alia*: funding for peer-to-peer workshops between PA professionals, especially between current PA managers and new management teams being formed for the new PAs (apart from the dedicated training budget in Component 2); organization of seminars in BiH with neighboring countries, in particular Croatia, Bulgaria, and Serbia and Montenegro, to share experiences and gain best practice knowledge from the region; membership in regional and international protected area organizations (such as EuroParks); and travel to relevant conferences; and establishment of a more robust Internet presence, with important links to the BiH national tourism bureau;. Also, as noted above under Sustainability, the SGP will offer opportunities to replicate small-scale rural development initiatives anywhere in the country. Finally, the Project

will leverage the opportunities provided by a Balkan ecosystems initiative under consideration by the Italian Government, which will also facilitate cross-boundary sharing of experience.

STAKEHOLDER INVOLVEMENT.

The total population living directly adjacent to the six proposed areas and depending on these areas for their livelihoods is estimated with about 20,000. The recently completed Social Assessment (SA) determined that, in general, this population supports the concept of biodiversity conservation through the protection of land and the objective to change the management practices, expand the area under protection, and promote tourism. Local stakeholders living in or around the proposed areas anticipate that they would benefit from an increase in the quality of natural resources, due to more sustainable land use planning and management, from tourism-related income and employment opportunities. In addition respondents have emphasized their expectations that activities to expand the protected area network would actively promote the revival of local communities, through improved infrastructure (roads, water, etc.), eco-tourism, and better opportunities for marketing agricultural and non-timber forest products.

As part of project preparation, substantial efforts have been made to engage stakeholders at all levels. The project has the full support of high-level policy-makers in the relevant ministries and PA authorities, in both entities; the areas proposed for inclusion were derived as the result of numerous meetings of this Working Group. To ensure effective stakeholder input in project design and future implementation, numerous public consultations were held in the Spring and Summer of 2005, in conjunction with formal meetings of the Working Group. These consultations were critical in the Working Group's decision-making, and the broad public support for the Project, as discerned from the Social Assessment, is a positive sign for the future success of the PAs. Project design specifically foresees the SGP as an important mechanism to achieve this engagement. Additional opportunities, particularly in project monitoring, are still being designed, and will be completed prior to Appraisal.

Further, to mitigate any potential impacts of the project, a Stakeholder Impact Analysis, a Participation Plan, and a Process Framework, have been prepared. Consultations on these documents are completed for the Impact Analysis, and will be completed by end-May 2006 for the Participation Plan and Process Framework.

With its social development objective of engaging with local communities and individuals in improving protection and sustainable use of biodiversity, the project supports the implementation of a methodology for participatory planning for protected areas (developed within the FDCP), which takes into account the interests and expectations of affected stakeholders.

Importantly, to help mitigate the potential impact of project activities that could result in involuntary restriction of access to resources and livelihood for inhabitants of some of the areas covered by the project, Project Component 3 comprises a Small Grants Program (as noted above and detailed in Annexes 4 and 17). Funding of local-level sub-projects through the SGP will provide direct incentives for stakeholders to engage in new practices for sustainable land use, which will aid biodiversity conservation.

MONITORING AND EVALUATION.

The strategy developed for the project M&E system in addition to the biodiversity monitoring system is based on the Results Framework outlined in Annex 3 and on lessons learned from World Bank-implemented projects in BiH. The M&E system will help to track progress and demonstrate the impact of the project. It will assist in the process of project decision making by providing the parameters to support policy formulation and planning for both the existing and new protected areas. Monitoring procedures will be devised, principally, as a management tool but they will also record the progress of project activities. This will facilitate better selection, planning and management of areas for future protection. The improved sustainable management practices to promote biodiversity and project objectives will be monitored and feedback will be given to management and all involved ministries. Project actions, expenditures and progress towards identified objectives will be monitored by the implementing agencies and reported in a quarterly (and annual) report so that appropriate action can be taken. A focal point for M&E will be identified in each Entity to co-ordinate activities. The M&E budget makes provision for a series of case studies that will focus on particular topics of interest to management, planners and policy makers.

In addition, the project will support the adaptation and use of the “Protected Areas Management Effectiveness (PAME) Tracking Tool”. This tool, developed by the World Bank/WWF Alliance for Forest Conservation and Sustainable Use², would help in assisting the tracking and monitoring of management effectiveness in individual protected areas. The tracking tool, however, would not be expected to replace more thorough methods of assessments, should they be identified as necessary.

4. FINANCIAL MODALITY AND COST EFFECTIVENESS

Co-financing Sources				
Name of Co-financier (source)	Classification	Type	Amount (US\$)	Status*
Government of Italy	Bilateral	Grant	325,000	Confirmed
Government of Austria	Bilateral	Grant	175,000	Confirmed
Government of Bosnia-Herzegovina	Government	In-kind	1,500,000	Confirmed
Government of Italy	Bilateral	Grant	500,000	To be confirmed
Others	Bilateral, EU	Grants	1,000,000	To be confirmed
Sub-Total Co-financing			3,500,000	

Prior to Appraisal, the project will confirm remaining cofinancing arrangements

* Reflect the status of discussion with co-financiers. If there are any letters with expressions of interest or commitment, please attach them.

² Reporting Progress in Protected Areas – A site Level Management Effectiveness’ Tracking Tool, 2003

Economic and financial analyses

Economic. The project seeks the support of co-financing to enable ex ante pre, mid-term and ex post evaluation studies of PA viability and alternate income options. Since technical grants do not require a detailed economic analysis, thus this section only estimates incremental costs and evaluates environmental benefits in qualitative terms.

The incremental costs are for those activities that achieve country, regional and global benefits by (i) supporting protected areas planning; (ii) establishing PA management and building public awareness of biodiversity conservation and IUCN categories in the region; and (iii) increased national capacity to manage the protected areas' natural resources sustainability and conserve their globally important biodiversity. The GEF assistance will help to mainstream biodiversity conservation in landscapes where the primary emphasis is on economic uses, thus this project emphasizes all IUCN categories.

Financial. Due to the government budget constraints, the proposed biodiversity conservation activities could not be implemented without GEF support. Nevertheless, while project protected areas will strive to generate a greater contribution to their annual budget from park activities in the long term, experiences from other parts of the world show that self-financing cannot always be expected. As a result, and assuming the Government's commitment to increase the area under formal protection and secure sustainable management, future budget provisions need to be made which will impact the financial plans at different levels. Financial benefits will come from increased tax revenues generated by tourism activities and more broadly from the watersheds (and ecosystems) that they protect.

To support protected area development and financial sustainability, the project would help finance investments in basic PA long-term infrastructure (establishment and maintenance of marked, safe hiking trails, visitor shelters and information centers) and development of related services (advertising campaigns, training of protected area staff to provide interpretation services to visitors, informational materials for visitors) to promote tourism in the priority protected areas, as determined by feasibility studies and local participation. The project would benefit local communities by providing opportunities for obtaining new income from increased visitor use of the protected areas (e.g., through sale of food, room services, handicrafts, and employment of locals as park rangers or wildlife guides to visitors).

Financial projections assume completion of protected area infrastructure and the capacity to manage the protected areas and revenue from protected area visitors. Currently, infrastructure is missing and staff lacks the skills and other resources needed to ensure that visitor use of the protected areas occurs in a sustainable manner and is consistent with the protected areas' biodiversity conservation objectives. The project would build this capacity through TA and monitoring programs. During the project period, visitor use, and therefore revenues are projected to increase modestly, as the skills to ensure environmental sustainability of tourism are developed.

Fiscal Impact. Owing to the financial constraints of Government, every effort has been made to minimize the fiscal impact of this project on the national budget. The Government total contribution is estimated at US \$1 million or about 15% of project financing, and would come

mainly in the form of providing office space, services like cadastre surveys and salaries, among others for PA rangers. The long-term fiscal impact of the project is likely to be positive.

The project's support to existing and would-be local enterprises in setting up and expanding environmentally friendly businesses in tourism services, farming and crafts production, will help expand the Government's tax base. To the extent employment is enhanced, fiscal expenditures for social protection may be less than would otherwise be the case. It is expected that spread over the project life, the fiscal impact of the project will be negligible. More revenues through ticket sales would be used to improve PA management.

5. INSTITUTIONAL COORDINATION AND SUPPORT

a) CORE COMMITMENTS AND LINKAGES.

The Bank has been continuously involved in the natural resources/environment sector since 1998, while most other donors have been disengaging. The Bank's current Forest Development and Conservation Project (FDCP) (containing a biodiversity component co-financed by the Italian Government) has been assisting in sustaining the momentum for organizational reform in the forest sector, and preparing the ground for a holistic approach in landscape management, through supporting participatory land use planning and awareness building for biodiversity in the forest production landscape. In addition, the GEF co-financed Integrated Ecosystem Management Project of the Neretva and Trebisnjica Rivers, currently under preparation by the Bank will complement the activities in forest and mountain ecosystems. As importantly, the World Bank has wide regional experience in GEF biodiversity projects and forestry operations, including the Croatian Karst Ecosystem Conservation Project. Through its role as broker, the Bank has and will continue to mobilize donor support for biodiversity conservation in BiH.

The project will directly address the second pillar (promoting sustainable private-sector-led growth through "economic growth grounded on more sustainable use of natural resources:") identified as challenge in the CAS. At the same time, activities implemented under the project will contribute to the achievements of the other two CAS pillars (improving public finance and strengthening institutions, as well as investing in key social and economic infrastructure) by promoting efficient management through: (i) efficient protected area administrations and (ii) a more efficient and sustainable utilization and protection of natural resources. The project has been included as one of the deliverables in the CAS document, since the latter foresees the Global Environmental Facility (GEF) as a means of augmenting targeted support for BiH's environmental strategy outlined in the National Environment Action Plan (NEAP) over the CAS period.

CONSULTATION, COORDINATION AND COLLABORATION BETWEEN IAS, AND IAS AND EXAS, IF APPROPRIATE..

The proposed GEF-financed Forest and Mountain Protected Area Management Project (FMPAP) complements and builds upon the Protected Area (PA) system planning process supported by UNEP-GEF. Collaboration between the FMPAP and the PA system planning exercise initiated during project preparation will continue during project finalization and implementation especially through the involvement of Working Group members in both activities. The preparation phase of the FMPAP already provided important feedback for the UNEP-led process, particularly on models of community engagement and public consultations. These consultations

have revealed a number of issues which will be relevant for almost any area proposed for protected status (including, *inter alia*, public expectations about job creation and income improvement as PAs are established, requests for technical guidance on improved agricultural practices, concerns over restrictions on forest use (even if that use is illegal), concerns about grazing and property rights, etc.). Similarly, results of future public consultations, as well as project implementation experience will feed back into the UNEP exercise.

The proposed project complements the GEF-supported “Integrated Ecosystem Management of the Neretva and Trebisjnica River Basin” currently under preparation. The goal of the Neretva project is to ensure the effective and environmentally sound management of the trans-boundary (shared by BiH and Croatia) Neretva River Basin. Activities will focus on: capacity building, improvement of ecosystem management including promotion of biodiversity conservation, and community-based approaches to sustainable ecosystem management. Coordination and collaboration during preparation and implementation will be facilitated by the Bank as the IA for both projects.

The project will also work in close collaboration with the Italian government. An agreement was recently made between the governments of Italy and BiH to cooperate on protected areas and sustainable development issues (Declaration of Sarajevo, July 2003). This agreement will ensure experience exchange, capacity building, joint projects and funding for specific activities from the Italian Ministry of Environment and other Italian institutions. The Joint Declaration describing the agreement also includes the organization of a meeting of the Environment Ministers of the Adriatic countries to take place in Rome in the Fall 2003.

Other related, important projects are: Eco-regional Initiative of WWF International in Dinaric Alps and Dalmatian Coast; institutional strengthening of the Ministries of Environment (European Commission); studies on agricultural landscapes (FAO); pilot projects on sustainable tourism (Japanese government); LIFE Third Countries projects on Neretva River and Bardacha (EU).

The project will also work directly with the USAID Cluster Competitiveness Project on Tourism, to ensure that the donor response to assisting Bosnia’s growing tourism sector is coordinated as much as possible.

C) PROJECT IMPLEMENTATION ARRANGEMENT.

The project would be implemented over a 48 month period starting in the first quarter of calendar year 2007. Project Effectiveness is expected by January 2007, and the Mid-Term Review would be completed by the end of 2008. The project is expected to be completed by December 2011.

BiH, represented by the Ministry of Finance and Treasury, would be the recipient of GEF grants and would transfer the proceeds to the FBiH and RS Governments by opening two special accounts. The project would be implemented at field level by the existing protected area management organizations, overseen and assisted by the Ministries of Environment and Physical Planning, and where appropriate, also in coordination with the Ministries of Forestry, in both entities.

The Ministries of Environment and Physical Planning would lead the process of protected area declaration and establishment. The Ministries would be responsible to prepare new projects, as well carrying out annual planning, financial management, contracting, supervision, monitoring of repayments, reporting and evaluation during the entire project implementation period.

Taking into account that the Ministries of Agriculture have been implementing related World Bank projects already, the project preparation has been utilizing this existing in-house expertise (in particular for procurement and financial management), for contracting of preparation studies, and overall assistance with preparation tasks. However, these units will not retain the responsibility for project implementation. This will be undertaken by specialized teams within both entity's Ministries of Environment and Physical Planning. These teams are now in place, and gaining experience managing other international projects. A full assessment of their capacity, in order to determine immediate training needs, will be undertaken prior to project Negotiations.

Aside from providing advice and guidance for project implementation, the project steering group will facilitate the implementation of the SGP, supported by the Eco-Activity Facility (EAF). While the first screening of activity proposals will be carried out by the group of individual consultants forming the EAF (who will also monitor the implementation phase), the PSG would lead the evaluation process for small grants proposals. To that extent, a project evaluation committee would be established on an ad hoc basis at least two times per year. Aside from the project steering group members of the evaluation committees would include representatives from relevant protected areas, local community/municipality, financial, sector and legal experts.

ANNEX A: INCREMENTAL COST ANALYSIS

The GEF Alternative will: (i) support PAs via financing infrastructure and fundamental planning studies for the establishment of new PAs; (ii) build management capacity and public awareness of biodiversity conservation; and (iii) strengthen the capacity to conserve and manage biodiversity at local, national and trans-boundary levels and establish a regional cooperation for Forest Ecosystem Conservation. This will include establishing ecologically effective PAs, integrating biodiversity conservation into forestry inside and outside of PAs, improve monitoring of threatened flora and fauna, and effect their recovery, and improving public awareness of BiH's biodiversity.

The GEF Alternative intends to achieve these outputs at a total incremental cost of US \$6.9 million, to be financed by the GEF (US \$3.4 million), and co-financing from government (US \$1 million), and bilateral and other project sources (US \$2.5 million). The proposed GEF Alternative should be viewed as complementary to ongoing activities in the target regions of BiH.

2. Project Context

The recently completed National Environmental Action Plan (NEAP) identifies the sustainable development of forest areas together with the improvement of environmental management and the protection of biological landscape diversity as priorities, which are in line with the new project. Forest resources are amongst the richest in Europe in terms of their extent and variety relative to the size of the country, covering almost 50% of the land area, and as such, are one of Bosnia's main natural resources. This compares with 24% for pasture land, much of it close to forest areas, and only 10% for arable land. About 80% of forest and other wooded land is State-owned. The remainder is owned by a large number of individual private owners that will not be within the scope of this project

BiH's biodiversity is currently insufficiently protected and under-valued. At present there are more than 20 PAs covering only about 0.55% of the territory. The categories of these PAs range from Bird Reserves to Strict Nature Reserves with two National Parks (NPs) in RS (Kozara and Sutjeska). The recently published NEAP recognizes the importance of biodiversity, natural and cultural heritage, the threats and the need for expansion the area for conservation and protection. The ratification of the Convention of Biological Diversity can be seen as one step in this direction, since it will facilitate access to GEF grant funds.

A new legal framework has been set up with a new Law on the Protection of Nature for RS, which was adopted in July 2002. It stipulates the revitalization, protection, preservation and sustainable development of landscapes, units of natures, plants, animals and their habitats as well as other components of nature that are part of the environment. A similar law is currently under review to be passed in the Federation. Also the protection of forest biodiversity is regulated by the applicable Law on Forests, as well as by the Hunting and Fishing Laws. The RS Constitution and the Law on Forests stipulate that forests and forestland are a public good which enjoys the special care and protection of the state.

The challenge is to manage existing and proposed PAs effectively, to develop participatory approaches to PA management, create new and or expand the system of PAs and to incorporate biodiversity conservation into the production landscape.

3. Baseline Scenario

The primary objective of the forest organization and management reform currently underway in BiH with IDA support is to increase revenues from forest resources, improve forest management, and enhance developmental benefits through participatory approaches in forest land use planning. Regardless of the Government's commitment to biodiversity conservation, without the establishment of an extended network of PAs, biodiversity-rich natural ecosystems would not be sufficiently protected from the major transition-related threats that are anticipated over the short and medium term. Government would be unable to commit sufficient budget to establish new PAs and strengthen the management of existing National Parks, and existing Government and NGO groups concerned with conservation would remain weak, ineffective, uncoordinated, and isolated. In the absence of this project, expected impacts (resulting from changing land use, including forestry and tourism) would result in loss of biodiversity, and ecological corridors necessary to maintain viability of populations and ecosystems may be irreversibly disrupted.

As a consequence of the current course of action, regarded as the Baseline Scenario, BiH's diverse and abundant forest biodiversity will likely continue to suffer from unsustainable timber and fuelwood harvesting and associated disturbance; unmanaged hunting; and all resulting in habitat loss and fragmentation. The project will, therefore, lead the way to establishing more PAs in BiH and constantly improving the network of PAs.

Costs

The cost of the Baseline Scenario is approximately US \$1 million, which is the average annual total budget contribution from central and local authorities for all PAs in Bosnia-Herzegovina at present. This budget is already insufficient for proper management of existing parks. If comparable formulas are used to determine budget support for new parks, it is clear that they will be significantly under-funded. One particularly important cost of the baseline is that in the absence of sufficient budgets, existing PAs are somewhat reliant on forest enterprise revenues to fund their operations. This leaves the PA management in a position of relatively less bargaining power regarding harvesting operations.

Benefits.

Under the Baseline Scenario, the main observable benefit would be in some forest enterprises, particularly the Sarajevo Sume. With the establishment of a PA in the Igman mountain complex, this forest enterprise could see some of its harvesting potential restricted. That said, the enterprise management is preparing itself for this eventuality, and strongly supports a PA. There would also be some savings in the relevant ministries, owing to fewer long-term professional staff needed for PA operations. These benefits would be small and limited to relatively few beneficiaries, and are not comparable to the significant benefits accruing under the GEF Scenario.

Certain activities being undertaken through the FDCP will also contribute to improved management in the PA system. This will come from implementation of the participation plan, and, through recommendations from the PA financing study, strategies for improved financing for park operations.

4. Global Environmental Objective

BiH ratified the Convention on Biological Diversity in 2002. A National Biodiversity Strategy / Action Plan (NBSAP) is being developed. It identifies the project regions as centers of biodiversity, and the project activities as the highest priority for improving the protection of the threatened forest ecosystems. The Forest Sector Strategy, prepared as an input for the NEAP, identifies the need to develop interdisciplinary forest planning, including through the integration of biodiversity conservation.

The Global Environmental Objective of this project is to preserve the globally significant biodiversity, critical forests and mountain ecosystems located in the territory of BiH. The project will support in-situ conservation and sustainable use by strengthening and expanding PAs in BiH, the project is consistent with the objectives of the GEF Operational Program Number 3 Forest Ecosystems and Operational Program Number 4 Mountain Ecosystems.

Project Scope:

The total costs of the GEF alternative is estimated at US \$6.9 million:

- (i) Establishment, Expansion and Physical Improvement: Budget 1 US \$2.72 million
- (ii) Capacity Enhancement and Training: Budget 2 US \$2.76 million
- (iii) Small Grant and Outreach Program: Budget 3 US \$1.42 million

Benefits:

The GEF Alternative would build on the baseline scenario and make possible activities and programs that would not be undertaken under the Baseline Scenario. This would include strengthening capacity at the field and national levels for planning and managing land-use for conservation and sustainable use of biodiversity; establishing effective inter-sectoral participatory planning and sustainable management of natural ecosystems and associated landscapes at selected project sites and thus protecting key forest and mountain supporting participatory approaches to sustainable natural resources conservation in key protected areas; supporting environmental education and awareness programs; developing mechanisms to reduce non-sustainable resource use; and promoting eco-tourism development.

The GEF Alternative would provide the means (above and beyond the Baseline Scenario) for expanding the existing Nature Reserves and National Park and drafting and implementing of management plans. The specific objectives of these management plans are: i) conservation of the biodiversity of the ecosystems within the project region through protection and management; ii) improved monitoring and applied research on biodiversity and effectiveness of conservation efforts; iii) establishment of infrastructure for improved biodiversity protection and development of nature-based tourism in the region; (iv) preparing and supporting PA administration and

management; (v) strengthening public education and awareness; (vi) improving the integration of biodiversity conservation and agricultural activities, especially pasture management, outside of the proposed Parks; and (vii) improved coordination in the protection of biodiversity with the neighboring countries.

The project will significantly build and strengthen the institutional bodies responsible for planning and managing protected areas on a national level. It will ensure the development, coordination and sound working relations between the two Entity Governments, in order to achieve the creation of a viable and balanced biological network throughout the country. The national beneficiaries receiving assistance will be the Ministry of Ecology in the FBiH and RS and at a regional level, the individual protected area management organizations and the regional / cantonal forest enterprises. Through the project, the national appreciation of the ecological and landscape diversity of BiH will be increased and improved opportunities for environmental and conservation education will be gained.

The project will also build mechanisms and capacity to assist local stakeholders, community members, local authorities and NGOs to participate in the preparation and implementation of conservation management plans. The rural communities will benefit from the inclusion of natural resource management and local economic development into the protected area management framework. Other benefits will result from the stimulation of sustainable and compatible economic development activities such as eco-tourism within and adjacent to the protected areas. Additional assistance to local stakeholders will be provided by the establishment of a Small Grants Program to assist small business development compatible with the objectives of PAs and sustainable development as a whole. Focused training and advice to the local stakeholders will be coordinated through local Eco-Activity Incubators established by this project.

Global Benefits:

Implementation of the GEF Alternative would provide the means for establishing effective PAs and integrating biodiversity conservation objectives into regional and local development activities. Global benefits would include the recovery of forest habitats and protection of endemic threatened flora and fauna and their recovery. Benefits generated from the project would also include the promotion of local and regional cooperation in biodiversity conservation.

The global benefits of the project include the sustainable conservation and management of some of the last remaining areas of pristine and relatively undisturbed mountain / forest landscapes in Europe, the expansion of the countries' protected area which will increase the area of Illyric Mountain Deciduous Forest and extend the protected areas along the Dinaric Alps which extend from Mount Olympus National Park in Greece, to the south to Triglav National Park in Slovenia, to the north.

The project will establish trans-boundary links with PAs and relevant institutions in Croatia and Montenegro, thereby expanding the network of ecological corridors beyond its borders. Through the collaborative process involved, BiH will benefit from conservation initiatives undertaken in these adjacent countries. Establishment of the protected areas will also ensure the protection of sites of international cultural and archaeological significance.

5. Incremental Costs

The difference between the cost of the Baseline Scenario US \$ 1 million and the cost of the GEF Alternative US \$6.9 million, US \$5.9 million represents the incremental cost of achieving sustainable global and local environmental benefits. Of this amount, the Government of BiH has committed to financing US \$ 1 million. US \$ 2.5 million is leveraged as parallel financing from bilateral donors, and US \$ 3.4 million is requested from GEF.

Incremental Cost Matrix

	BASELINE	ALTERNATIVE	INCREMENT
Benefits			
Component 1: Establishment, Expansion and Physical Improvement of Sustainably Managed Protected Areas	Limited, or no, further development of the PA system in the short-medium term (3-5 years)	At least 150,000 new hectares brought into protected status, of which approx. 50,000 will be IUCN categories I and VI, and the remaining will be mostly Category II National Park, and Category V Protected Landscape	150,000 hectares of new PAs (comprising approx. 3% of BiH territory, in line with government strategy to work towards a 7-10% coverage within 10 years, in line with EU norms)
Cost	\$0.7 mil	\$2.7 mil	\$2.0 mil
<u>Strengthening of Capacity at Local, Entity and State Levels for Biodiversity Conservation and Sustainable Land Use Practices</u>	Limited technical skill development, particularly in the adoption of new management techniques, both in forest and PA	Broad-based training program implemented for technical staff in all relevant sectors	New techniques to incorporate ecosystem approaches in land-use practices for forest and mountain protected areas and buffer zones developed, adopted and applied in management plans
	\$0.3 mil	\$2.8 mil	2.5 mil
<u>Generation of Alternative Rural Livelihood Opportunities through Wise Multiple-use of Protected Areas</u>	Limited or no opportunities to incentivize behavior change for local inhabitants in and around PAs	Implementation of the Small Grants Program	SGP, through provision of new skills, technical advice, and financial incentives, demonstrates to local inhabitants how protecting biodiversity is beneficial to the environment and can also improve their livelihoods
	0	\$1.4 mil	\$1.4 mil
Total	US\$ 1.0 million	US\$ 6.9 million	US\$ 5.9 million
Global Environmental Benefit	Government continues limited status quo and both ability and quality of PAs decreases. Forest Management and Regional Development Plans would not take into account biological	An integrated forest management and conservation strategy will be designed and implemented that will draw attention to biodiversity conservation needs and opportunities. Without GEF funding the critical biodiversity conservation efforts would drastically constrained as the	Endemic biodiversity of global significance will be preserved in the forest landscapes of BiH

	diversity under threat	BiH government is forced to act in favor of short term horizon rather than long term sustainability.	
		US\$ 3.4 million	US\$ 3.4 million
Domestic Benefit	Minimal alternative income opportunities	Integration of biodiversity conservation into forest management strategy will preserve sustainable use options for economically important endemic forest species and enable access to new sources of income, such as eco-tourism.	Increased revenues from forest resources, improved forest management, and sustainable developmental benefits through participatory approaches in forest land use planning.
	US\$ 1.0 million	US\$ 3.5 million	US\$ 2.5 million

ANNEX B: PROJECT LOGICAL FRAMEWORK

Results Framework

PDO	Outcome Indicators	Use of Outcome Information
<p>To strengthen the institutional and technical capacity for sustainable protected area management and expand the national network of forest and mountain protected areas.</p> <p>The project global environmental objective is to conserve globally significant biodiversity in critical forests and mountain ecosystems of BiH.</p>	<p>Increase in area under formal protection (using all IUCN categories)</p> <p>Increase in portion of recurrent management costs covered by PA income</p> <p>Number of PAs with new ecosystem approaches such as PA zoning, joint management, etc. implemented</p> <p>Increase in management effectiveness of PAs</p> <p>Increase in buffer zone areas supporting sustainable natural resource use and biodiversity conservation</p>	<p>Use project results for replication in other sites</p> <p>Evaluation of use of available budget resources to encourage more effective use of funds and/or determine revisions in PA financing strategies</p>
Intermediate Results One per Component	Results Indicators for Each Component	Use of Results Monitoring
<p>Component One: Existing PA operations improved and new PA established and capitalized</p>	<p>Legal designation of new PA status achieved</p> <p>Number of PA with management plans incorporating ecosystem approaches in land-use practices for forest and mountain protected areas adopted</p> <p>Number of PA management plans and under effective implementation</p> <p>Increase in number of PA visitors</p>	<p>Y01 and Y02 evaluate progress in establishment of new PAs; re-evaluate site selection if formal declaration is not achieved</p> <p>Y03 evaluate results of management plan implementation and initiate revisions if management not according to plan</p> <p>Y03 initiation of feasibility studies for additional priority sites</p>

<p>Component Two: Planning, management and leadership skills of institutions responsible for biodiversity conservation and sustainable land use increased</p>	<p>Number of PA staff that have completed training program</p> <p>Number of PA using the Protected Area Management Tracking Tool</p> <p>Number of public awareness initiatives for biodiversity conservation</p>	<p>Y02 revise training program and methodology and make necessary adjustments</p> <p>PAME Tracking Tool to be refined as needed, based on experience with implementation</p>
<p>Component Three: Environmentally and economically sustainable natural resource use and tourism development in protected areas and buffer zones promoted</p>	<p>SGP Eco-Activity Facility established and operational</p> <p>Increase in number of grant awarded to local entrepreneurs</p> <p>Number of proposals eligible for SGP funding that address biodiversity conservation</p>	<p>Y02 and Y03 evaluation of procedures and operational manual; revision if needed</p> <p>Y02 and Y03 evaluation of training programs for beneficiaries - revise training if quality of proposals, and/or implementation progress needs improvement</p>

Arrangements for results monitoring

Outcome Indicators	Baseline	Target Values				Data Collection and Reporting		
		YR1	YR2	YR3	YR4 (end of project)	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Increase in area under formal protection (using all IUCN categories)	0.55% formally protected	1.5% (addition of the Una River)	Approx. 3% with addition of Igman complex, Janj, and Lom		3% or approx. 150,000 ha of which approx. 50,000 IUCN categories I and VI, and the remaining mostly Category II National Park, and Category V protected landscape)	As areas are formally declared	Government reports	Entity Project teams
Increase in portion of recurrent management costs covered by PA income	<10% from budget allocation ,30% from fee (existing PA) - (new PA)	10%	12%	13%	Average 15%	yearly	PA financial reporting	Pa authorities, project teams, Bank
		30%	32%	35%	Average 40% of expenses covered by entry/service fees			
		15%	18%	20%	Average 25% of expenses covered by entry/service fees			
Number of PA with new ecosystem approaches such as PA zoning, joint management, etc. implemented		, 1 (Sutjeska)	2	3	At least 3 parks, including Sutjeska, fully implement new ecosystem approaches	As management plans are designed	Working group reports	PA authorities
Increase in management effectiveness of PAs	Baseline established at CEO endorsement (PAME Tracking Tool (TT) available at project start)	Indicator monitored in 4 PAs	Indicator monitored in all PAs	Indicator monitored in all PAs	Indicator monitored in all PAs	yearly	PA reporting	Pa authorities, project teams, Bank
Increase in buffer zone areas supporting sustainable natural resource use and biodiversity conservation		20,000 ha	50,000 ha	100,000	200,000 ha around existing and new PAs	Quarterly reports	SGP grant reviews and progress report PAME Tracking Tool	EAF administrators, PA authorities, Entity project teams, Bank

Results Indicators for Each Component	Baseline	YR1	YR2	YR3	YR4 (end of project)	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Component 1: Legal designation of new PA status legally achieved		1 new PA designated	1 new PA designated		2 new PAs legally designated	Yearly	Legal documents on establishment	Entity Min. of Environment, Physical Planning
Number of PA with management plans incorporating ecosystem approaches in land-use practices for forest and mountain protected areas adopted	1 PA	1 PA	2 PA	2 PA	All PAs adopt new management plans	Yearly	PA reporting	PA authorities, Ministries of Environment, project teams, Bank
Number of PA management plans and under effective implementation		1	1	2	Implementation of Management plans started in all PAs	Yearly	PA reporting, PAME Tracking Tool	PA authorities, project teams, Bank
Increase in number of PA visitors		2%	4%	7%	10%	Yearly	PA reporting	PA authorities
Component Two : Number of PA staff that have completed appropriate training programs	Current PA staff skills at varying levels	25% of staff complete training programs	50%	75%	All appropriate staff targeted for training by the project complete relevant coursework	Yearly	Yearly training program designs	Project training coordinators, Bank, PA authorities
Number of PA using the Protected Area Management Tracking Tool		4 PA use TT	All PAs use TT	All PAs use TT	All PAs use TT	yearly	PA reporting	PA authorities, project teams, Bank
Number of public awareness initiatives for biodiversity conservation		2	4	6	Comprehensive PA campaign completed, for all PAs individually as well as national PR on BiH's PAs	Yearly	Project monitoring reports	PA authorities, project teams, Bank
Component Three: SGP Eco-Activity Facility established and operational		EAF offices operational	EAF offices operational	EAF offices operational	EAF offices operational	Yearly	EAF management reports	EAF management, project teams, PA authorities, Bank
Increase in number of grant awarded to local entrepreneurs	N/A	5 grants awarded.	10 new grants awarded.	15 new grants awarded.	End of project. Total of 40-50 grants	Quarterly reports	grant reviews; Tracking Tool; Visitor feedback	EAF administrators, PA authorities, Entity project teams, Bank
Number of proposals eligible for SGP funding that address biodiversity conservation		30%	50%	70%	70%	Following each Grant tranche	Public reports on Grant recipients	EAF management, Bank, Ministries of Environment

ANNEX C: RESPONSE TO PROJECT REVIEWS

a) Convention Secretariat comments and IA/ExA response

No comments were received.

- b) STAP expert review and IA/ExA response

**STAP Review of Project Appraisal Document for a
Forest and Mountain Protected Areas Project in Bosnia and Herzegovina**

STAP Reviewer: Jeffrey A. McNeely, Chief Scientist, IUCN

1. Scientific and technical soundness of the project

Generally speaking, this project is scientifically and technically sound. But I did find some issues that were inadequately considered. The major issues are discussed in the following paragraphs.

Lack of a systems plan

While the areas that have been selected for attention under the project all sound very important, and probably are the most appropriate sites for the project, it still would seem to have been useful to include in the project the preparation of a protected areas systems plan for Bosnia and Herzegovina. A protected areas system plan is the design of a total reserve system covering the full range of ecosystems and communities found in Bosnia and Herzegovina. The systems plan should identify the range of purposes of protected areas and help to balance the different objectives. It should also identify the relationships among the components of the protected areas system, including between individual areas, between protected areas and other land uses, and between different sectors and levels of the various stakeholders in Bosnia and Herzegovina. It should help demonstrate important linkages with other aspects of economic development, and show how various stakeholders can interact and cooperate to support effective and sustainable management of protected areas. A protected areas systems plan can help establish priorities for a workable national system of protected areas. It would provide the framework within which the various areas proposed for attention under the GEF project would relate to the larger picture.

A national protected areas system plan can also be an invaluable tool for communicating with decision makers, the private sector, and the various other interest groups in various parts of the country. The process of preparing a systems plan will also offer an opportunity for building a stronger constituency to support protected areas. Much of the necessary work has already been done in preparing the project appraisal document, so preparing the national systems plan should not be a terribly time consuming and expensive process. A useful tool for guiding such a document is Davey, Adrian G. 1998. **National System Planning for Protected Areas**. IUCN, Gland, Switzerland. This document is available on the internet at www.iucn.org/themes/wcpa/publications. Hard copies are available directly from IUCN's World Commission on Protected Areas. (WCPA).

***Response:** Bosnia-Herzegovina (hereinafter in the responses, Bosnia) is in the process of preparing a national protected area systems plan. At the time the project was originally proposed, it was expected that such plan would have been already well-advanced, as this was to be done through the World Bank-funded Forest Development and Conservation Project (FDCP), as a cornerstone aspect of the development of the National Biodiversity Strategy*

(NBS). However, a decision was taken in 2004 by the government to utilize instead UNEP financing NBS. Unfortunately, for a variety of reasons, this has taken a very long time to be started. Even so, the areas proposed for inclusion in the project were derived by a high-level, inter-ministerial, and inter-entity, Working Group. In its deliberations, the Working Group took account of numerous existing proposals for a future PA network.

The UNEP-funded work is now underway, and is expected that the national PA system plan will be completed by mid-2007. Although this will be too late to alter the existing proposals, the team believes that the areas proposed for inclusion in the project represent a strong technical consensus on the highest priority areas for immediate protection. The team is further highly confident that all areas proposed will be part of any future national plan. Here it should be noted that four of the six areas are already protected; one of the remaining two (Una River) has a completed Feasibility Study, paid by the Bosnian government, and the last, the Igman mountain complex, has a Feasibility Study underway.

Action. The Project Brief will more fully reflect the ongoing work through UNEP funding, to develop an integrated national PA system plan, and make more explicit ways in which the project will support that plan.

Small Grants

The small grants component of the project is excellent, and an essential element in the success of the overall project. But I was a little surprised that the project document did not even mention the concept of payments for ecosystem services. The Millennium Ecosystem Assessment has strongly supported the concept of ecosystem services, in other words, the benefits that nature provides to people. A full discussion of ecosystem services is available in the reports of the Millennium Ecosystem Assessment, but they cover provisioning services, which are the goods produced or provided by ecosystems; regulating services, such as regulation of pollinators, climate, nutrients, and extreme natural events; cultural services, the non-material benefits from ecosystems, including recreational, educational and inspirational; and supporting services, such as primary production, carbon sequestration, soil formation and so forth. The approach taken by the MA implies that ecosystem services have value to people, which in turn implies that these ecosystem services have an *economic* value that can be internalized in economic policy and the market system. Some of these services are relatively easy to quantify, though in the past they have been considered as public goods and hence have suffered from market imperfections. But the value of carbon sequestration in forests, for example, is substantial, and at a global scale, some US\$ 11.3 billion worth of carbon credits were traded on the international market in 2005. The economic value of water catchments have also been demonstrated. It would seem to be useful to explore the various options for payments for ecosystem services provided by protected areas, as a means of providing long-term financial security to the protected areas. In those that support production of forest products, including non-timber forest products, eco-labeling would both enhance the value and the credibility of their sustainable harvesting. The World Bank is deeply involved in the process of building markets for ecosystem services, and actively promotes environmental fiscal reform (see, for example, World Bank. 2005. **Environmental Fiscal Reform: What should be done and how to achieve it.** IBRD, Washington D.C.).

The project is also seeking to reach out to the private sector, and in many parts of the world, the private sector is an active player in the market for ecosystem services, including cultural services such as natural beauty. The private sector can use ecosystem services to create direct financial income; ensure that the firm receives necessary supplies of natural resources; captures the demand for the service from clients (for example, tourists); may enable it to compensate for any negative impacts on biodiversity on a voluntary basis; improve its public image; and simply act in an ecologically responsible manner that requires it to invest in ecosystem services. A global information service on developments in new ecosystem service-based markets is available at www.ecosystemmarketplace.com. A service where providers and beneficiaries of ecosystem services can work together to capture the benefits associated with ecosystem services is available at www.katoombagroup.org.

None of this is meant to replace the Small Grants Facility component of the project, which remains well conceived. But sustainability for the existing and planned new protected areas may well depend on developing new streams of revenue, and payments for ecosystem services should at least receive an appropriate degree of attention in the project.

Response. *The team wishes to emphasize that the Project does intend to support payments for environmental/ecosystem services (PES) as an important element of longer-term financial sustainability mechanisms. However, it has been suggested that PES be de-emphasized, because the project has a limited lifetime, it will take some time to develop this relatively complex mechanism, and in any case, such payments will likely not make a large contribution to PA revenue streams until the longer-term. Nevertheless, (PES), will be developed, as part of both the Small Grants Program (SGP), and in terms of new funding sources for PAs.*

Action. *Preparation/Appraisal activities will continue to refine the SGP, and will focus renewed attention on early development of mechanisms for testing payment for environmental services.*

IUCN Categories

The project document mentions in several places that the full range of IUCN protected area categories will be used. This sounds like a good idea, but I do not think that this strategy should be applied too strictly. In a country where so many people are occupying the rural areas, it may be extremely difficult to establish a Category I protected area, and given the economic situation in the country, Category V areas may be much more appropriate. Perhaps a few of the core zones which are providing critical habitat to threatened species could receive strict protection, but as a zoning measure rather than a category for the entire protected area.

The project emphasizes the importance of multiple-use management of protected areas, but the IUCN category system has variable uses that are permissible. Multiple-use management is more likely under Categories IV, V and VI.

Response. *The above approach, especially the idea of zoning, is exactly what is foreseen. The only areas which are now planned for strict protection are the two small forest*

preserves, which already exist in this status. The other areas are clear multiple use areas which will fall, as noted, most likely under Categories IV, V and VI.

Action. New management plans, taking into account Feasibility Studies, Environmental Assessments, and Social Assessments, will create the specific distinctive zones within any given PA.

2. Identification of the global environmental benefits and/or drawbacks of the project

Bosnia and Herzegovina is a sparsely-populated keystone in the Balkans, and thereby plays an important role in providing global environmental benefits, including providing habitats for endemic species of plants. Its karst ecosystems are substantial, and significant at a global scale. The fact that so little of the landscape is yet included as legally-established protected areas indicates that Bosnia and Herzegovina is a prime candidate for expanding its protected area system in a way that can contribute to conserving the globally important biodiversity of the Balkan region.

Some of the proposed protected areas are outstanding on a global scale, such as the Tara Canyon, which may be the most spectacular canyon in Europe, and the Perucica Forest, which may be one of the least-disturbed forests in the Balkans, if not all of Europe.

Response. The team appreciates the above comment, particularly in that it reflects the client's strong belief in the opportunities presented by Bosnia's significant natural assets.

3. Project's context within GEF goals, operational strategies, programme priorities, GEF Council guidance and the provisions of the relevant Conventions

This project is particularly relevant to the Convention on Biological Diversity, and specifically its efforts to implement Articles 8(a) and 8(b) on Protected Areas. Decision VII/28 on protected areas provides guidance on protected areas, and the programme of work on protected areas in the Annex provides additional guidance that is well reflected by the project.

Numerous CBD COP decisions on forest biological diversity also relate, including Decisions II/9, III/12, IV/7, V/4, VI/22, and VII/1. This project as designed will be entirely consistent with the guidance provided by the COP.

COP Decision VII/27, on mountain biological diversity contains a programme of work on mountain biodiversity, which covers protection, sustainable use of mountain resources, and institutional elements that are all relevant to this project. Additional elements on information sharing may need to be incorporated in the project design.

Response/Action. The team appreciates this confirmation of the project's conformity with key international provisions on biodiversity. Continuing preparation efforts, particularly as part of the ongoing Social Assessment, will ensure that additional methods of information sharing are reflected in project design.

4. Regional context

As part of the former Yugoslavia, Bosnia and Herzegovina is surrounded by other countries with whom they do not always have cordial relationships. While it certainly seems sensible to have regional cooperation in protected areas, and especially trans-boundary protected areas, such regional cooperation is far from simple under the current conditions. That said, a more optimistic perspective is that protected areas could provide a means of promoting trans-boundary cooperation on shared ecosystems or on wide-ranging species, such as wolves and brown bears. The karst ecosystems shared between Croatia and Bosnia-Herzegovina would also seem to be prime targets for enhancing regional cooperation. Training of staff for protected areas may also be more effective if several of the GEF projects in the region combine their efforts, including sharing of curriculum materials. On transboundary protected areas, the project might wish to consider another IUCN publication: Sandwith, Trevor, *et al.* 2003. **Transboundary Protected Areas for Peace and Cooperation.** IUCN, Gland, Switzerland. This volume is available on the internet at the same site mentioned above.

Response/Action. *The team agrees with the above view of the potential difficulties in establishing transboundary activities. We further agree that the training programs should be designed to enable experience from other Balkan PAs to be brought into Bosnia; this strategy will be incorporated in the first year design of the training program. It should be noted that particularly in Sutjeska National Park, there is ongoing cooperation with the Durmitor National Park in Montenegro; the project design explicitly seeks to strengthen this cooperation, especially in terms of better coordination of recreation activities between the two parks.*

5. Replicability of the project

Virtually all countries in the world now have protected areas, though Bosnia and Herzegovina have one of the weakest national systems. But the proposed project will build institutional capacity, staff competence, and new approaches to protected areas. Using the new approaches and institutional frameworks and building on the expanded technical competence of staff, it may well be expected that additional protected areas will be established. As accession to the EU becomes more likely, EU funding may lead to expanded support for protected areas. However, given the point made above about a national systems plan, replicability would seem to be most likely if there is a solid framework on how to proceed with any additional protected areas. Some of the alternative sites mentioned in the project document might be considered for such replication.

An essential element of any such replicability will be ensuring that appropriate staff are engaged, put in place, and given real career opportunities within the protected areas of the country. Replicability will also depend on building a constructive and positive relationship with other sectors, especially tourism and forestry. It will also be useful to learn lessons from other European countries who have faced similar challenges. Croatia is relatively advanced in its protected areas, with an outstanding karst ecosystem that has been recognized on the

World Heritage List, namely Plitvice National Park. Plitvice is able to recover virtually all of its running costs through various forms of revenue generation.

If the Government of Bosnia and Herzegovina provides the necessary policy support to enable the protected areas to retain a reasonable share of the value of the ecosystem services they provide, then replication may be far more likely.

Response/Action. *As noted above, the national PA system plan is underway. Certainly, the central government authorities, as well as local administrations and non-governmental organizations, are increasingly aware of new funding sources (e.g. the EU). Staff in existing parks are already quite well-trained for their specific roles; the challenge will be to bring their knowledge to a higher level. This is particularly true in cases where the forest enterprises will need to take an active role in PA management (in the small forest reserves of Janj and Lom, and in Kozara National Park, especially). In addition, the project will undertake a significant effort in training new staff for new areas. Even in this case, however, it should be noted that project implementation/PA management teams are already being formed – and trained from government resources – for new skills.*

It is absolutely clear that neighboring countries' experiences will need to be leveraged, and the team especially appreciates the suggestions to look more closely at Croatia's experience. This has been done to some extent, but further collaboration/information sharing with the Croatian experts will be pursued prior to Appraisal.

At this time, the policy framework for revenue sharing between entity governments and protected areas is under revision. The PAs have argued persuasively for greater budget support from the central authorities, and it appears that this will be given. By project Appraisal, the final formulas for revenue sharing in the PAs should be completed. This will partly be based on recommendations from an ongoing international consultancy focused on providing options for financial sustainability for the overall PA system. Project design and indicators will be modified based on the final policy agreements.

6. Sustainability of the project

Most of the comments made above can be applied to the issue of sustainability of the project. The Small Grants Facility, a very important element of the project, is unlikely to be sustainable without project funding. But if the small grants are used to develop commercially viable ways of managing the benefits from ecosystem services provided by the protected areas, then sustainability is far more likely. An additional element in the project to examine the economic benefits of the multiple ecosystem services provided by the proposed protected areas would be a significant contributor to the sustainability of the project.

The fact that other donors are also active in Bosnia and Herzegovina, including the Government of Italy, USAID, and JICA, indicate that further possibilities for support of protected areas may also be possible, and this project may help to improve the design of subsequent projects.

Response. *To-date, project design has focused on the modalities for executing the SGP, with less focus on longer-term sustainability. However, the Bank team, and the client, agree with the above comment that the SGP will have a difficult time being sustainable without project funding. It is expected that experience gained from the project will enable Bosnia to leverage additional sources of finance for similar grant-making activities in the future. This might be from bilateral sources. Importantly, such grants are regular features of a number of EU pre-accession instruments which will become available to the country during the project implementation period.*

Action. *Remaining preparation will place greater focus on the long-term sustainability of the Small Grant Program. Additionally, the financial sustainability consultancy noted above is expected to make recommendations on this topic.*

7. Linkages to other focal areas

One of the most obvious links of the project is to climate change, which is both a challenge to protected areas (because the climatic conditions may influence the distribution of the species that the protected areas are established to conserve) and an important justification for protected areas (because they may offer opportunities for enabling ecosystems to adapt to changing climatic conditions). As discussed above, many of the forested areas may be important in terms of carbon sequestration. It is possible that some of the habitat restoration issues may benefit from the Clean Development Mechanism under the Kyoto Protocol. The threat to endemic plant species, particularly in the mountain areas, will require particular attention as climates change.

In terms of international waters, some of the rivers in Bosnia and Herzegovina do flow into neighboring countries, and the protected areas may help ensure that the quality of water is at an acceptable level. But it must be recognized that this is a minor link.

In terms of land degradation, the biggest problem is with land mines, which still are a problem in several hundred thousand hectares and provide a significant threat to developing such areas for the conservation of biodiversity. On the other hand, they also hamper other forms of development, and may serve as de facto reserves. But land mines are also a significant source of pollution as they degrade, so efforts at de-mining should continue and expand. The project addresses all four of the strategic priorities of the GEF operational strategy on biodiversity. The project is directly addressing protected areas (SP1); the work that it is doing to mainstream forests and agriculture into the new protected areas address SP2 on mainstreaming biodiversity; the project includes a significant element of capacity building (SP3), and the project will seek to develop best practices for protected areas (SP4).

The project will also address OP2 on coastal, marine, and freshwater ecosystems, though in Bosnia and Herzegovina the coastal and marine component is miniscule, while the freshwater ecosystems are very important. The project also addresses OP3 on forest ecosystems and OP4 on mountain ecosystems. In terms of OP13 on conservation and sustainable use of biological diversity important to agriculture, the project document contains relatively little discussion of non-timber forest products. But medicinal plants and edible fungi are likely to

be significant components in many of the proposed new protected areas. This might require some further attention.

Response/Action. *The team is in full agreement with these comments. With particular reference to climate change and carbon sequestration, this is something which might be able to be developed in the future, depending on what kinds of habitat restoration ultimately occurs in a given PA. However, our present understanding is that carbon sinks projects are not highly favored, even under the Clean Development Mechanism. The Bosnian government is aware of some opportunities to leverage carbon funding, and our ongoing dialogue will continue to engage on this point.*

It is certainly the case that landmines remain an important challenge. We note that overall, the only park with any significant remaining landmine issues is the Igman mountain complex outside Sarajevo. Demining efforts are ongoing there, with clear “Do Not Enter” areas (marked in red tape with “skull and crossbones”), some of which are in remote locations, and some of which are in locations close to current/potential future, recreation areas. The project does not propose to directly support any demining. Nevertheless, project support for new management plans will take direct account of demining activities.

Non-timber forest products (NTFPs) are an important source of livelihood enhancement for some of the population, including both those living in/near PAs, and locally-based tourist visitors. At present, the two existing national parks (Sutjeska and Kozara) have well-established procedures for collection of NTFPs. As the project will primarily strengthen their management capacity, and provide some much-needed asset capitalization, no conflicts are foreseen about this topic. In the new parks, feasibility studies provide evidence of some utilization of NTFPs, but they do not suggest that this is a barrier to park establishment, nor do they indicate any serious conflicts. By project Effectiveness, a Process Framework tool will be put in place, to mitigate effects of any potential restrictions which might arise in any PA.

8. Linkages to other programmes and action plans at regional or sub-regional levels

Bosnia and Herzegovina forms part of the Pan-European Biological and Landscape Diversity Strategy (PEBLDS), and has the potential to expand its participation in this important programme. Significant European Union funding supports this effort, and a PEBLDS meeting was held at the end of February 2006 in Croatia, which was attended by colleagues from Bosnia and Herzegovina. Along with Natura 2000, such pan-European efforts can offer considerable support to this project.

Response. *Bosnian experts in multiple fields related to forestry and biodiversity are active in a number of fora, including those above. This has expanded the authorities’ understanding of other programs, and is expected to continue. Further, the project will indeed provide support for initial identification of sites for inclusion in Natura 2000. This will be clarified in the Project Brief.*

9. Other beneficial or possible environmental damaging effects

The concern about landmines has already been mentioned. A potential conflict with the wood-processing industry could be addressed through seeking appropriate certification, such as the Forest Stewardship Council (www.fsc.org).

Another issue that will require some attention is the relationship between the various ministries and level of government, including between the entities. The governance complexity will provide some management challenges that will need to be addressed. The fact that the project will be executed by the Ministries of Agriculture, Forestry and Water Management, without the Ministry of Environment, may complicate relationships.

Some attention will also need to be given to the balance between patrolling and enforcement on one hand, while building understanding and support from local people on the other hand.

At least some of these protected areas have considerable potential for winter tourism, as evidenced by the 1984 Winter Olympics held in Sarajevo. The possibility of over-development will need to be considered, especially if large areas of forest are cleared in order to make more ski runs. The distribution of endemic species will need to be particularly considered.

The project document says nothing about invasive alien species, but this is a problem for protected areas throughout the world, and certainly should be considered as one of the important management issues, especially given the importance of the endemic Balkan flora.

Response. *The project design has tried to be sensitive to the competing claims between conservation and forest utilization, in some of the areas. It is indeed the case that in the existing national parks, an important revenue source is fees from timber extraction. This process is long-standing, and in these parks, there is very good coordination between park management and forest enterprises, and this is expected to continue. In the parks proposed for establishment, the final management arrangements are still being determined. It is likely that in both Una and the Igman mountain complex, timber harvesting will continue to play an important role. That said, the forest enterprises are supportive of park establishment, as it is not expected that they will “lose” significant assets in the process.*

The Bank, through the FDCP, is very heavily engaged in overall governance improvements in the forest sector, including harvesting and wood processing. These improvements will have numerous positive implications for the management efficiency of the PAs.

The complexity of the implementation arrangements is due to the reality of the complex administrative structure in the country. However, we note that the ministries of agriculture will not be the primary implementation authority; this will rest with the entity ministries of environment and physical planning. The ministries of agriculture currently contain the project implementation units for ongoing projects, and preparation has utilized their expertise. During implementation, even procurement and financial management is planned to be organized in dedicated “project implementation teams/units” in the ministries of

environment. Importantly, most of the day-to-day operations will be undertaken at the PA level, which is most appropriate.

- *Action. The Project Brief will be revised to make these arrangements more clear.*

The point on winter tourism and potential overdevelopment of the Igman complex is important. However, no “large clearing” is foreseen, even taking into account current development of the high-density tourist areas. Bosnia’s environmental regulations, assisted by the Environmental Management Plan Framework being developed at present, will help to guide new construction so as to minimize environmental disruption (including endemics). Even so, we would emphasize again the multiple-use nature of these parks, and the reality that especially for Igman, the country sees increasing tourism there as an important potential driver for economic growth in the area.

10. Capacity building aspects

The project clearly intends to include a significant element of capacity building, but this has not yet been fleshed out to much detail. In addition to appropriate training for all categories of protected area staff, it might also be worth considering to incorporate conservation elements in the school curriculum at all level. It would also be helpful to support appropriate elements in the non-governmental sector, including youth groups; these are often the strongest supporters of protected areas and their capacity is well worth considering.

Response. It is indeed correct that the capacity building is not yet well-defined. The full training program for the first year will be designed by project Appraisal. Subsequent needs will be determined on a yearly basis. The team very much welcomes the suggestion on inclusion of NGOs and youth groups; the Bank is actively engaged with youth groups in the Balkans, and ongoing preparation will make a more concerted effort to collaborate with those efforts.

11. Innovativeness of the project

The innovativeness of the project comes from its location in a country that is emerging from a war between 1992 and 1995; has a very small amount of its territory in the protected area system; and is seeking to use protected areas as a foundation for its further economic development. The fact that many European tourists drive to the Balkans for vacations may offer some innovations for linking protected areas to European tourism. The fact that protected areas are run by “National Park Enterprises” may offer creative opportunities for developing new funding mechanisms, especially if these are linked to payments for ecosystem services. The Small Grants Facility will also offer multiple opportunities for innovation, and it is important to ensure that the allocation of these small grants does not become overly bureaucratic.

Response. The team appreciates this understanding of the significant tourism potential in Bosnia. As noted before, payment for ecosystem services will be explored further, and will be included as one of the SGP themes. Present design of the SGP is intended to be

reasonably straightforward, and efforts will be made to ensure that the specific operational modalities are not overly bureaucratic.

CONCLUSION

This project is an extremely important one for Bosnia and Herzegovina, offering it an opportunity to join other European countries with an appropriate system of protected areas. The sites that have been identified are likely to be the most important ones, but a comprehensive system plan for the country would be helpful in showing how the various protected areas relate to each other. In terms of the sustainability of the protected areas system, the concept of payment for ecosystem services is well worth considering and would offer the project a new dimension of innovation. Such an approach may be especially relevant in establishing a new system when many options are still open.

c) GEF Secretariat and other Agencies' comments and IA/ExA response

i) GEFSEC Comments at Pipeline Entry on items Expected at Work Program Inclusion, and Responses (in italics)

1. Country Ownership: Letter of Endorsement needed. *Letter of Endorsement from GEF Focal Point attached to Work Program package*

2. Program and Policy Conformity.

Program Designation and Conformity

1. GEF support to SP#1 must be placed within the larger vision of the country's protected area system and its sustainability. The extent of protected areas to be enhanced should be provided, as well as the areas where the management effectiveness will be enhanced. *Project Brief contains significant details on all existing and proposed areas (Annex 4b). Additionally, some emphasis is given to the activities currently underway to design the national network of protected areas, under UNEP funding (Annex 4 – Detailed Project Description).*

2. In terms of SP#2, the project should outline the key interventions, the key sectors which will be targeted for mainstreaming, and the extent of production landscape that will be managed with biodiversity considerations taken into account. *Project Brief indicates a number of areas for mainstreaming, most importantly under the description of the Small Grants Program (SGP) in the main text, and Annex 4.*

3. If SP#4 is an explicit aim of the project it should provide details on the dissemination and replication strategy - with clear outputs and outcomes, and should include a designated budget. *Mainstreaming biodiversity is a concomitant aim of the project. Outputs and outcomes to this end are elaborated in the Annex 3-Results Framework, for capacity building, and the SGP.*

4. The above should be elaborated in the context of the project design. *See answer 3; further work on the operational details will be undertaken prior to Appraisal.*

Project Design: The components of the project will be fully articulated, building on a threat and root-cause analysis. It will also indicate how it relates to and is blended and/or co-managed with the FDCP - being justified on the incrementality and value-added principle. *The components are much more clearly articulated compared to Pipeline Entry – see the main text and especially the detailed project Description in Annex 4. Numerous references are made to complementary and value-adding activities under the FDCP (Forest Development and Conservation Project – under implementation).*

Sustainability. Concrete measures should be provided on the fiscal sustainability aspects of the PA system; and other processes to garner sustainability. *Significant work is underway in the country to improve the level of government financing of PAs. This is important, because regardless of project interventions, substantial government revenues will be required for long-term operations of the PAs. That said, the project directly supports sustainability through improved efficiency in management, introduction of new techniques for revenue generation (including new methods for fee collection, and improved tourist facilities to make the parks more attractive), and capacity building, to enable PA staff to leverage additional resources for PA operations. The FDCP is currently undertaking a financial sustainability strategy consultancy,*

which will directly guide the PA and government authorities in identifying ways to increase their financial resource base.

Replicability. As above (see point 3 under program designation and conformity). *The most important replicability impacts will be seen through lessons from improved management, as future new PAs become established, and new funding sources (e.g. the European Union) become available.*

Stakeholder Involvement. Full description of stakeholder consultations, and social assessments provided for the particular PAs where GEF support will be provided, and in the production landscapes as appropriate. *As part of project preparation, substantial efforts have been made to engage stakeholders at all levels. The project has the full support of high-level policy-makers in the relevant ministries and PA authorities, in both entities; the areas proposed for inclusion were derived as the result of numerous meetings of this Working Group. To ensure effective stakeholder input in project design and future implementation, as well as to mitigate any potential impacts of the project, a Stakeholder Impact Analysis, a Participation Plan, (iii) and a Process Framework, have been prepared. See Project Brief, 'Social' (within the Appraisal Summary), page 16, for more details.*

Monitoring and Evaluation. 1. Should be fully articulated both in terms of outputs and outcomes, as required by the project cycle criteria. 2. The country seems to be lacking on essential baseline information and data; these should be defined from the outset as the project begins implementation. *Substantial detail on plans for Monitoring and Evaluation is provided in Annex 6 of the Project Brief. This includes plan for the use of the Protected Area Management Tracking Tool. The Tracking Tool is currently under preparation, taking into account new baseline information derived from recent Feasibility Studies, and will be completed prior to Appraisal. See also Annex 3 – Results Framework, for some details on indicators.*

3. Financing

Financing Plan. The complementarity of the financing between other and GEF activities should be clearly indicated. However, sunk costs cannot be counted towards co-financing. Additionally the incrementality of GEF funding should be clearly indicated. *The financing plan is improved, with particular reference to additional funding from complementary activities (e.g. the FDCP-financed studies, and the UNEP activities), and additional agreements on government cofinancing. Nevertheless, additional bilateral funding is still being confirmed.*

4. Institutional Coordination and Support

Core Commitments and Linkages. Institutional commitment and linkages of the GEF project with the FDCP needs to be clearly presented. Also the role and responsibilities of the key agencies implementing the project. *These points are answered in numerous places throughout the Project Brief. See especially, main text, C. Implementation: 1. Partnership Arrangements, and 2. Institutional and Implementation Arrangements (pages 9-11). See also Annex 6.*

Consultation, Coordination, Collaboration between IAs, and IAs and EAs, if appropriate. Evidence of co-operative arrangements during implementation should be clearly presented. *Same as above comment on Core Commitments.*

ii) GEFSEC's comment at Work Program Inclusion

Main Comments:

Project Complementarity

IDA Forest Development and Conservation Project

[...] the complementarity to the FDCP and the proposed project is not apparent. Please clarify this in the project design, including under project implementation and collaboration and coordination with other projects. The description on page 9 in the project document is not useful and actually leads one to believe that the WB FDCP has already supported activities that the WB is now seeking funding for under the proposed GEF project. Please provide clarification on these points.

The IDA-financed Forest Development and Conservation Project (FDCP) was approved in 2003 with the objective of sustaining the forestry sector reform momentum and improving forest management. Within the scope of its development objective, the FDCP supports promotion of biodiversity conservation in the forest production landscape.

The proposed GEF-financed FMPAP builds on the work carried out by the IDA project in several ways by using the information and implementing the plans and recommendations developed under the IDA project.

The IDA project created a comprehensive database on High Conservation Value Forests (HCVFs) that has informed the feasibility studies for the proposed Una River PA by assisting with zoning recommendations. In the same way, the feasibility study work for the Igman Mountain complex, and the development of new management plans in Sutjeska and Kozara National Parks, both supported by the GEF project – will build on the information provided by the IDA project. The IDA project is also financing a study on fiscal sustainability of PA management that is currently ongoing. The proposed GEF project would help the PA incorporate the most appropriate options into their management plans and implement some elements of the strategy to increase revenue generation from alternative sources. Finally, the IDA project has contributed to the development of procedures for comprehensive consultation processes for PA establishment that were used in the social assessments and stakeholder participation plan for the GEF-funded FMPAP.

UNEP-GEF PA System Plan

The project was originally designed to be implemented after a PA system plan had been developed through the World-Bank funded FDCP but apparently this has not occurred. The proposal does not explain how the proposed GEF project will collaborate with this ongoing parallel activity to ensure that there is no duplication and that the GEF investment is fully consistent with the ongoing PA system planning process. Please clarify what mechanisms are in place to ensure collaboration in the final development of the PA system plan with the GEF

project, particularly as regards systemic issues that will influence GEF project implementation, i.e., financial sustainability strategies, PA policy on sustainable use, etc.

With support of UNEP-GEF Bosnia-Herzegovina is in the process of preparing a national protected area systems plan that should be completed by mid-2007. The plan is a cornerstone of the National Biodiversity Strategy (NBS) and its preparation is guided by a government-sponsored Biodiversity Committee that is composed of technical professionals from all relevant sectors, including academicians, biodiversity staff in the environment and agriculture ministries in both entities, current PA managers, forest management companies, forest enterprises.

The proposed GEF-financed Forest and Mountain Protected Area Management Project (FMPAP) is consistent with the Protected Area (PA) system planning process carried out by the Biodiversity Committee and supported by UNEP. Several members of the Biodiversity Committee are members of the FMPAP Working Group to promote complementarity and avoid duplication.

The areas proposed for inclusion in the FMPAP were derived through a comprehensive and participatory consultation process led by the Working Group and reflect a strong technical consensus on the highest priority areas for immediate protection that would be part of any future national plan. Four of the six areas are already protected; Una River has a completed Feasibility Study and the Igman mountain complex has a Feasibility Study underway.

Collaboration between the FMPAP and the PA system planning exercise will continue during project finalization and implementation especially through the involvement of Working Group members in both activities. The preparation phase of the FMPAP already provided important feedback for the UNEP-led process, particularly on models of community engagement and public consultations. These consultations have revealed a number of issues which will be relevant for almost any area proposed for protected status (including, *inter alia*, public expectations about job creation and income improvement as PAs are established, requests for technical guidance on improved agricultural practices, concerns over restrictions on forest use (even if that use is illegal), concerns about grazing and property rights, etc.). Similarly, results of future public consultations, as well as project implementation experience will feed back into the UNEP exercise.

Project Focus

Finally, the proposal lacks an overall coherence and consistency as regards the project intervention strategy. It is not entirely clear if the project is focused on strengthening the capacity of the PA system to function or if it solely focused on improving management of two-four areas to start with and then it will expand out to other PAs if possible. It is not clear what the relationship of Component Two is vis a vis forest management practices in the use zones of protected areas and the rest of the activities in that component and the development of the PA system plan to meet the Natura 2000 directive given that the UNEP project is developing a PA system plan. In addition, it is not clear if the FDCP provided a baseline upon which the work on mainstreaming biodiversity into forest management planning at the ecosystem level is building

and if so, what is the added value of the GEF investment. The project intervention strategy requires a more coherent formulation overall as currently it lacks focus.

The proposed GEF project focuses on improving management effectiveness of four to six areas (four existing PA and two new ones) with the possibility of expanding to other PAs at a later stage. More specifically, the project focuses on: improving the management effectiveness of four existing protected areas; bringing two additional sites under protected status; and promoting sustainable natural resource management and biodiversity conservation in their buffer zones. The linkages of the project with the UNEP PA system plan and the IDA-funded forestry project have been mentioned above. The GEF project will support Bosnia in implementing parts of the UNEP-funded strategy for the establishment of an effective system of protected areas (and therefore partially fulfilling the criteria outlined in the EU directive for the Natura 2000 network). In addition, by increasing the area under formal protection status and working towards a country-based protected area network the project will assist the Government in initiating the Natura 2000* assessment in support of the 3rd MDTs objective, to accelerate EU integration

Under component 2, the GEF project will finance capacity building, learning and skill development at local, Entity and State levels in order to strengthen the institutions responsible for planning, establishment and management of protected areas throughout BiH and to ensure the sustainability of the expanded protected area network. Training will particularly focus on building new competencies for multiple use management of protected areas of all categories in BiH. An important aspect of the training will be with forest sector professionals, to give them new skills to promote forest management planning which incorporates biodiversity conservation at the level of the ecosystem, rather than the forest management units. In this respect, the project will further complement the IDA project.

The project rationale and the intervention strategy have been sharpened to reflect the main thrust of the project: to support activities in PAs and their buffer zones directed at increasing the PA sustainability.

Monitoring and Evaluation

Outcome indicators for results framework are inadequate. Please review and improve to meet standards in GEF EO M&E policy. Currently, virtually all of the indicators measure production of outputs (plans adopted etc.) as opposed to outcomes even though in other parts of the proposal under M&E the document notes that management effectiveness of PAs will be measured and a biodiversity monitoring system would be established.

* "Natura 2000 is the centrepiece of EU nature & biodiversity policy. It is an EUwide network of nature protection areas established under the 1992 Habitats Directive. The aim of the network is to assure the long-term survival of Europe's most valuable and threatened species and habitats. It is comprised of Special Areas of Conservation (SAC) designated by Member States under the Habitats Directive, and also incorporates Special Protection Areas (SPAs) which they designate under the 1979 Birds Directive. The establishment of this network of protected areas also fulfils a Community obligation under the UN Convention on Biological Diversity." Source, FAQ about Natura 2000, EU Commission website : http://europa.eu.int/comm/environment/nature/nature_conservation/useful_info/documents_publications/pdf/memo_natura.pdf

The description of the M&E plan is not adequate and does not meet the requirements at Work Program Inclusion. Pages 53-54 refers to a "general global and regional objective" which is different than any objectives in the results framework, references are made to data (not sure which data is being referred to here) in Technical Annexes 1-4 that will serve as the project baseline, but none of these are in the project's results framework as baseline figures, etc. The results framework and the M&E plan should represent a coordinated and synthetic approach to project M&E both from the level of the project functioning and baseline figures, etc. The results framework and the M&E plan should represent a coordinated and synthetic approach to project M&E both from the level of the project functioning and delivering outcomes and as currently formulated they do not fulfill this objective. In addition, the entire section talks about what M&E might entail but never specifically states what this project will do as part of its M&E implementation.

The Result Framework and Monitoring Arrangements Annex has been fully revised to take into account the comments received as well as the revised project focus. Outcomes and indicators have been made consistent throughout the documents. The references indicated above that were not correct or not relevant were removed. The proposed measurable key indicator for biodiversity conservation relates to the main result expected from the project, namely increasing the coverage of protected areas as a mean for increased protection of biodiversity habitats rather than increase in species.

Sustainability

The project proposal does not address this adequately but defers the sustainability argument to another WB financed project--the FDCP—and promises to take into account the results of the FDCP output: a fiscal sustainability strategy for the PA system. It is not clear if the proposed project will implement this as part of the project PA strategy or if the FDCP will implement the strategy. Given the importance of this to the project's sustainability strategy, the Secretariat is unable to see how the project can move forward with a vision towards sustainability. Given that the FDCP is financing this study and it is currently ongoing, the proposal needs to present, in at least draft terms, the PA financial sustainability strategy and how the project will support its implementation.

The proposal presents a sustainability strategy for the SGP but ideally the project should strive to have the results from the SGP be sustainable not necessarily the SGP itself. It is not clear from the SGP criteria how this will be achieved. This is particularly important given that the SGP is being proposed as one mechanism to mainstream biodiversity conservation into land-use practices in PA buffer zones.

Further information is now included on the current budget regime for PA operations. As indicated above, while the financing study is being carried out under the IDA-supported FDCP, the implementation of the recommendations from the study will be part of the GEF-supported FMPAP. The documents have been modified to more clearly describe some of the ways in which the SGP operations will contribute to longer-term sustainability of the sub-projects, regardless of whether the program itself is maintained after the end of the Project

The IDA-supported FDCP is financing a study on fiscal sustainability of PA management that is currently undergoing. The study will provide PA authorities with a broad ‘menu’ of options for improving the financial aspects of their operations. The GEF-funded FMPAP will assist the PA authorities to incorporate the appropriate options from this menu into their operations thus implementing some of the results of the study. More specifically, the development of management plans will include the most appropriate options for revenue generation. It should be noted that not all financing options will be appropriate in all places. For example, the Janj and Lom forest preserves will rely largely on government budget support, because they are strict preserves, and hence such options as entry fees, or other tourist fees, are not available. On the other hand, both of the proposed new National Parks (Una and the Igman Mountain complex) offer outstanding tourism opportunities, and are in fact already widely visited, particularly Igman. It is reasonable to assume that demand for the services in these parks will be sufficient to provide critical financial contributions to their long-term operations. Finally, the project will promote financial sustainability by supporting (eco-) tourism programs in protected areas where appropriate. And by helping the SGP beneficiaries with business planning advice, market research, and links to other tourism/rural development initiatives.

Replicability

The proposal does not meet requirements for Work Program Inclusion. Describe the proposed approach to knowledge transfer, if any (e.g., dissemination of lessons, training workshops, information exchange, national and regional forum, etc and provide the budget associated with these efforts.

Further information on proposed replicability activities is included, along with an aggregate indicative budget for these tasks.

Replicability is primarily oriented towards the transfer of good PA management practice from implementation of new techniques in existing PAs, to new PAs, both within the FMPAP plan, and in future protected areas within the country. Replicability will also be enhanced through concerted public communications campaign, and related marketing of BiH’s protected areas. In total, approximately US \$300,000 is directly budgeted to support these activities. This includes, *inter alia*: funding for peer-to-peer workshops between PA professionals, especially between current PA managers and new management teams being formed for the new PAs (apart from the dedicated training budget in Component 2); organization of seminars in BiH with neighboring countries, in particular Croatia, Bulgaria, and Serbia and Montenegro, to share experiences and gain best practice knowledge from the region; membership in regional and international protected area organizations (such as EuroParks); and travel to relevant conferences; and establishment of a more robust Internet presence, with important links to the BiH national tourism bureau;. Also, as noted above under Sustainability, the SGP will offer opportunities to replicate small-scale rural development initiatives anywhere in the country. Finally, the Project will leverage the opportunities provided by a Balkan ecosystems initiative under consideration by the Italian Government, which will also facilitate cross-boundary sharing of experience.

Stakeholder Involvement

The proposal does not respond to the request by the Secretariat noted above. Please respond as requested.

As part of project preparation, substantial efforts have been made to engage stakeholders at all levels. The project has the full support of high-level policy-makers in the relevant ministries and PA authorities, in both entities; the areas proposed for inclusion were derived as the result of numerous meetings of this Working Group. To ensure effective stakeholder input in project design and future implementation, numerous public consultations were held in the Spring and Summer of 2005, in conjunction with formal meetings of the Working Group. These consultations were critical in the Working Group's decision-making, and the broad public support for the Project, as discerned from the Social Assessment, is a positive sign for the future success of the PAs. Project design specifically foresees the SGP as an important mechanism to achieve this engagement. Additional opportunities, particularly in project monitoring, are still being designed, and will be completed prior to project appraisal.

With its social development objective of engaging with local communities and individuals in improving protection and sustainable use of biodiversity, the project supports the implementation of a methodology for participatory planning for protected areas (developed within the FDCP), which takes into account the interests and expectations of affected stakeholders.

Additional Comments

Under the cost-effectiveness section in the executive summary, please copy the text from the project document to here otherwise it appears that the project has not considered this issue.

The three paras. on economic and financial issues, from the Project Brief Summary Analysis, have been copied to the Executive Summary.

What criteria for the Small Grants Program ensures that GEF resources are only used to generate global environmental benefits?

Sub-projects funded under the SGP will be targeted towards developing new livelihood options which promote ecologically friendly tourism and improve land use practices in support of the project overall objective of increasing PA sustainability. Sub-projects funded through the SGP could include small-scale waste management/recycling initiatives, habitat restoration, alternative energy promotion (e.g. small-scale hydropower), environmental and cultural education, eco-tourism programs and facilities, and community-based monitoring. Eligibility criteria and procedures for the operation of the competitive grant program will be detailed in the SGP Operational Manual that will be finalized at project appraisal. GEF co-financing will be limited to activities that can demonstrate biodiversity conservation benefits and will be only incremental to what provided by the project and the beneficiaries. To ensure sustainability, beneficiaries are expected to contribute at least 10% of the overall project budget and in some cases up to 50%.

Given that forest harvesting is implemented as a means to generate revenues for the PAs, please note that no GEF resources should be used for this activity.

The team confirms that GEF resources will not be used for forest harvesting.

In the ICA, please provide text for each component as regards baseline, alternative and increment. It is currently incomplete.

Text has been added

