PROJECT IDENTIFICATION FORM (PIF)[1]
PROJECT TYPE: FULL-SIZED PROJECT
TYPE OF TRUST FUND: GEF TRUST FUND

PART I: PROJECT IDENTIFICATION

Project Title:	Mainstreaming biodiversity conservation, SFM and carbon sink enhancement into Mongolia's productive forest landscapes.		
Country(ies):	Mongolia	**GEF Project ID:**[2]	4744
GEF Agency(ies):	FAO	**GEF Agency Project ID:**	613958
Other Executing Partner(s):	Forestry Agency, Ministry of Nature, Environment and Tourism	**Submission Date:**	3 February 2012
GEF Focal Area (s):	Multi Focal Areas	**Project Duration (months):**	60
Name of parent program (if applicable): ➢ For SFM ☒		**Agency Fee:**	358,636

A. FOCAL AREA STRATEGY FRAMEWORK[3]:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Co-Financing ($)
BD-2	Outcome 2.1: Increase in sustainably managed landscapes/sectors that integrate biodiversity conservation.	Output 2.2: National and sub-national land-use plans (7) that incorporate biodiversity and ecosystem services valuation. Output 2.3: Production landscapes under sustainable management.	GEFTF	420,000 1,175,932	600,000 2,600,000
BD-2	Outcome 2.2: Measures to conserve and sustainably use biodiversity incorporated in policy and regulatory frameworks.	Output 2.1: Policies and regulatory frameworks (number) for production sectors.	GEFTF	98,625	200,000
LD-2	Outcome 2.1: Enhanced enabling environment within the forest sector in semi-arid and subhumid zones	Output 2.1: National policies that guarantee smallholder and user group tenure security	GEFTF	150,000	400,000
	Outcome 2.2: Improved forest management in drylands	Output 2.2: Innovative SFM practices introduced at field level	GEFTF	450,000	5,000,000
	Outcome 2.3: Sustained flow of services in forest ecosystems in drylands	Output 2.3: Suitable SFM interventions to increase/maintain natural forest cover in dryland production landscapes Output 2.5: Information on participatory SFM	GEFTF	247,278	2,000,000

[1] It is very important to consult the PIF preparation guidelines when completing this template.
[2] Project ID number will be assigned by GEFSEC.
[3] Refer to the reference attached on the Focal Area Results Framework when filling up the table in item A.

		technologies and good practice guidelines disseminated for national uptake and adoption			
SFM/REDD-1	Outcome 1.1: Enhanced enabling environment within the forest sector and across sectors.	Output 1.1: Effectiveness of forest policy and related legal and regulatory frameworks that integrate SFM principles and promote participatory forest management	GEFTF	65,210	650,000
	Outcome 1.2: Good management practices applied in existing forests.	Output: 1.2 (a) Forest area (500,000 hectares) under sustainable management, Output: 1.2 (b) Enhanced carbon sinks from reduced forest degradation	GEFTF	500,000 300,000	1,800,000 600,000
			Sub-Total	3,407,045	13,850,000
			Project management cost[4]	179,319	500,000
			Total project costs	3,586,364	14,350,000

B. PROJECT FRAMEWORK

Project Objective: Sustainable forest management in Mongolia's forest landscape secures the flow of multiple ecosystem services and benefits, including biological diversity, reduced degradation, and carbon storage while enhancing ecosystem resilience to climate change

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Co-financing ($)
Component 1. Strengthened institutional, policy and regulatory frameworks		1.1. Enabling institutional, policy and regulatory framework for SFM and participatory biodiversity conservation resulting in: *- Improved SFM and biodiveristy-oriented management of at least 2,760,000 ha of production forest in 7 aimags.* *- secure tenure rights and incentives motivate the local population to scale-up PFM.* *- significant increase of revenues from sustainably managed forests (from 0 to at least 5 million MNT/year/ FUG)* *- Musk deer (Moschus moschiferus), taimen (Hucho taimen) populations stabilized in target areas.* *- Government budgetary support to the forestry and wildlife sectors is increased by 20%.*	1.1.1 A package of modifications in land and forest regulations, policies and standards for SFM & biodiversity conservation in participatory forest management (PFM), including: (i) by laws with healthy forest eco-systems / biodiversity criteria, management standards for SFM and guidelines for enforce-ment; (ii) benefit sharing regulations to incentivize SFM at local levels (i.e.fire-wood harvest/transport) 1.1.2. National program for forest biodiversity conservation endorsed by MNET. 1.1.3. Wildlife/biodi-versity (Wi-Bi) policies revised to allow community manage-ment, use and benefits.	GEFTF	BD-2: 100,000 LD-2: 50,000 MFA: 50,000 **TOTAL: 200,000**	1,500,000

[4] GEF will finance management cost that is solely linked to GEF financing of the project.

			1.1.4. Wi-Bi unit created at national level with increased staf and capacity in pilot sites 1.1.5. Training in PFM and wildlife manage-ment at national, aimag and local levels (user groups and local administrations). 1.1.6. Valuation of ecosystem services in two priority sites.			
Component 2. Models for mainstreaming biodiversity conservation and benefit sharing into SFM demonstrated in priority forest ares of Mongolia.	TA	2.1. Scaled-up sustainable and participatory forest management systems mainstream biodiversity conservation. *- biodiversity conservation objectives mainstreamed into PFM plans covering at least 500,000 ha.* *- At least 5 FUGs benefit from sharing sport hunting revenues with national Government.* *- Enhanced biodiversity conservation and management in at least 50,000 ha of high biodiversity forests in production landscape resulting in improved wildlife habitat and stable or increasing numbers.*	2.1.1. Strengthened capacity of at least 10 forest user groups (FUGs) trained for biodiversity conservation and monitoring at pilot sites in production forests. 2.1.2. At least 100 FUG business plans to strengthen marketing of forest products. 2.1.3. Participatory wildlife management (PWM) plans prepared and implemented at 10 pilot sites. 2.1.4. Development and dissemination of good practice guidelines for PWM.	GEFTF	BD-2: 794,557 MFA: 265,210 **TOTAL: 1,059,767**	3,900,000
Component 3. Models for sustainable forest management and enhancing carbon storage in forest biomes demonstrated in pilot forest areas.		3.1 Demonstrated forest recovery and reduced degradation from grazing and browsing pressure by livestock, resulting in: *- 500,000 ha of forestlands under improved multi-functional management.* *- avoided emission of 47,500 t C/year through SFM.* *- SFM knowledge effectively transferred (FUG tackle multi-sectoral issues).* 3.2. Objectives and methods to enhance carbon storage	3.1.1 At least 100 pilot PFM plans designed and applied by FUGs. 3.1.2. Improved SFM compatible land-use in northern coniferous forest and southern dryland forest pilot areas such as: a) leaving forest detritus intact in the forest floor to enhance soil fertility and carbon sequestrat-ion; reduced and/or halted grazing in re-covering forest areas. 3.2.1. Pilot restoration by reducing grazing and		BD-2: 700,000 LD-2: 747,278 MFA: 500,000 **TOTAL: 1,947,278**	7,000,000

		potential of forests integrated in forest management planning and decision-making - Improved SFM practices and restoration on 100,000 ha contribute to carbon storage of 4,758,750 t C - securing sequestration of 291,000 t C/year from tree growth. - sequestration of additional 700 t C/year through SFM.	wood collecting pressure of 100,000 ha of degraded forests. Baseline carbon data documented, REDD+ actions implemented in each forest and pasture-land site; carbon emission reductions, biodiversity and social benefits measured, reported and verified.			
Component 4. Knowledge development; education, awareness; monitoring, evaluation and dissemination of best practices	TA	4.1. Enhanced capacity and knowledge base for forest and wildlife management and monitoring resulting in: *- Improvement in capacity development indicators as per Capacity Development Scorecard [baseline app.18%; target 40%]. 40 policy makers, 25 extension agents, 75 field staff; and 3000 FUG members applying SLM/SFM practices.* *- Awareness of ecosystem service and other benefits from sustainable land, forest and wildlife management increased by 30% over baseline levels in 3 target audiences (law makers, government staff and FUGs).* *- increased uptake of. PFM and PWM (no. of user groups engaged in PFM and PWM increases against baseline target).*	4.1.1. Strengthened capacity of institutions across sectors to collaborate and manage the forest landscape. 4.1.2 Stakeholders at national, aimag and local levels have improved access to knowledge and data, strengthened social networks and new social capital to enable more sustainable management of forest resources of Mongolia. (e.g. National FUG association established with active lobbying and learning networks) 4.1.3. Targeted education, awareness and outreach campaigns aimed at specific target audiences. 4.1.4. Five scientific studies to support policy and management e.g. natural regeneration, silviculture, monitoing of wildlife 4.1.5. M&E system established to measure project progress and impact	GEFTF	BD-2: 100,000 LD-2: 50,000 MFA: 50,000 **TOTAL: 200,000**	1,450,000
				Sub-Total		3,407,045	13,850,000
				Project management Cost (BD-2: 98,625, LD-2:49,313, MFA: 31,381)		179,319	500,000
				Total project costs* (BD-2: 1,793,182, LD-2:896,591, MFA: 896,591)		3,586,364	14,350,000

* This amount does not include $358,636 for project agency fee, $50,000 for project preparation and $5,000 for project preparation agency fee.

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, ($)

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount ($)
GEF Agency	FAO	Grant	1,000,000
National Government	Government of Mongolia	In-kind	4,000,000
Bilateral Aid Agency(ies)	GIZ	Grant (€3 million)	3,900,000
Bilateral Aid Agency(ies)	GIZ – KfW	Grant (€2 million)[5]	2,600,000
Bilateral Aid Agency(ies)	GIZ (expert TA - DED)	In-kind	1,500,000
Bilateral Aid Agency(ies)	Government of Finland	Grant (€500,000)	650,000
Other Multilateral Agency (ies)	National Forest Program Facility /Forest Partnership Facility (FAO/WB/IUCN)	Grant	700,000
Total Co-financing			$14,350,000

D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY (IES), FOCAL AREA(S) AND COUNTRY[1]

GEF Agency	Type of Trust Funds	Focal Area	Country Name/ Global	(in $)		
				Project amount (a)	Agency Fee (b)	Total c=a+b
FAO	GEFTF	Biodiversity	Mongolia	1,793,182	179,318	1,972,500
FAO	GEFTF	Land Degradation	Mongolia	896,591	89,659	986,250
FAO	GEFTF	Multi-focal Areas	Mongolia	896,591	89,659	986,520
Total Grant Resources				3,586,364	358,636	3,945,000

[1] In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1. THE GEF FOCAL AREA STRATEGIES:

1. The project is consistent with the GEF Biodiversity and Land Degradation Focal Areas and also accords with the objectives of the Sustainable Forest Management area of work. The project is aligned with BD-2. Mainstream Biodiversity Conservation and Sustainable Use into Production Landscapes/Seascapes and Sectors as it will strengthen policy and regulatory frameworks that devolve responsibilities for production forest and wildlife management to local communities and create incentives for sustainable use. It will also build the necessary institutional capacity and knowledge base at national, provincial and local levels to support local user groups and ensure sustainable management of forest and wildlife resources in production forests and produce biodiversity-friendly management and harvesting. The project will contribute to the objectives of the Land Degradation Focal Area and specifically LD-2 by promoting sustainable forest management, avoiding deforestation and contributing to ecological and social sustainability. It will scale up innovative and proven participatory forest management practices which support community use rights and improve forest management practices to maintain natural forest cover and ecosystem services in dry-land habitats. The project will contribute to Sustainable Forest Management, especially SFM-1, by reducing pressure on forest resources, maintaining natural forest and carbon stores and enhancing carbon sinks to reduce greenhouse gas emissions. It will contribute to sustainable forest management and local livelihoods through targeted interventions on forest policy, strengthened protection and fire management and enhanced knowledge for improved decision-making to ensure sustainable harvesting of timber and non-timber products. By working at a landscape scale to improve smallholder management practices, the project will maintain natural forests to retain connectivity and wildlife corridors between important biodiversity areas.

A.1.2. FOR PROJECTS FUNDED FROM LDCF/SCCF: THE LDCF/SCCF ELIGIBILITY CRITERIA AND PRIORITIES:

[5] The co-financing letter from GIZ attached to this PIF states this as an €11 million investment. However the investment will focus upon protected areas. This €2 million figure included in Section C above is an estimate of the proportion of the €11 million investment that will focus upon the productive forest lands outside of protected areas in buffer and other zones that will be complementary to this GEF project's work.

A.2 NATIONAL STRATEGIES AND PLANS OR REPORTS AND ASSESSMENTS UNDER RELEVANT CONVENTIONS, IF APPLICABLE, I.E. NAPAS, NAPS, NBSAPS, NATIONAL COMMUNICATIONS, TNAS, NIPS, PRSPS, NPFE, ETC.:

2. Mongolia's National Development Strategy (2007-2021) includes, among other objectives, improvement of natural resource management at the national and local levels, including strengthening of policy and regulatory frameworks and building appropriate capacity. The proposed project would support the Government's vision (elaborated in the Development Strategy and Forest Law 2007) of sustainable management of the country's important forest landscapes for timber, non-timber forest products and forest ecosystem services to make significant contributions to economic development and environmental protection. The National Biodiversity Action Plan (NBSAP) includes objective 7 "establish a public information program to improve people's knowledge of biodiversity and the importance of conserving it", objective 9 "control hunting and fishing" and objective 14 "Ensure that agriculture and forestry are carried out in ways compatible with biodiversity conservation". Today Mongolia is in the process of reviewing its NBSAP to fully incorporate measures to address the 20 targets of the Strategic Plan (SP) agreed at the 10th Conference of the Parties OP 10 of the Convention on Biological Diversity. Participatory forest and wildlife management is consistent with Strategic goal A. *Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society* and Strategic goal B. *Reduce the direct pressures on biodiversity and promote sustainable use* and responds specifically to targets 2, 4,5 and 7 to reduce forest loss, promote sustainable resource management and link biodiversity conservation to poverty reduction strategies.

3. The Mongolian Government places significant importance towards integrated land management and has adopted in April 2010 the National Action Plan for Combating Desertification (NAP CD) of Mongolia. With the approved NAP CD Mongolia is aligning itself with the UNCCD 10-years strategy, the National Development Strategy and other development programmes and projects. The principle of the NAP CD is that it recognizes the eminent role the local population and entities have to play in reversing the detrimental trend of land degradation and desertification.

4. Mongolia ratified the United Nations Framework Convention on Climate Change on 30 September 1993. Since the ratification of the Kyoto Protocol on 15 December 1999 Mongolia has worked towards implementation of the CDM. The National Action Program on Climate Change (NAPCC) has been revised and approved by Parliament, Government Resolution Nr. 2, on January 6th, 2011. One main objective of the NAPCC is to increase the forest cover by 30,000 ha by 2016 and then by 60,000 ha by 2021. The plan, under objective 3.1 "to improve the legal environment to reduce the impact of climate change", activity 3.1.1 seeks to amend the forest law to support forest management and protection, under objective 3.2 "to build the national capacity for better adaptation to CC", activity 3.2.6 aims to refine the national forest management plan in regard to climate change to protect and regenerate the forest cover, activity 3.2.8 to increase reforestation activities and 3.2.19 to protect the forest, under objective 3.3 "introduce environmental technology to reduce green gas emission and to shift to less carbon emitting economy", activity 3.3.21 seeks to stop forest fires and pests. As a follow-up to the NAPCC, a National Strategy for Climate Change Adaptation and a National Strategic Plan for Implementation the NAPCC have been prepared and are awaiting governmental approval.

B. PROJECT OVERVIEW:

B.1. DESCRIBE THE BASELINE PROJECT AND THE PROBLEM THAT IT SEEKS TO ADDRESS:

5. Mongolia's forests are State-owned. Coniferous forests are dominant in northern-central *aimags* or states of Mongolia. These boreal forests in the north and the center of the country occupy 13.9 million hectares and are critical to watershed health across the Selenge River Basin where 60% of the freshwater inputs to Russia's Lake Baikal are generated. The common tree species comprising these northern forests are: larch (*Larix sibirica*) 74%, Siberian pine (*Pinus sibirica*) 7%, Scotch pine (*Pinus sylvestris*) 5% and birch (predominantly *Betula platyphylla*) 12%. These forests are composed of 76.4% over mature, of 11.98% mature, of 11.14 % middle aged, and of 0.48% young stands.

6. The northern coniferous forests are part of a transitional zone between the Siberian taiga forest (boreal forest) to the north and the grasslands to the south. They typically grow on mountain slopes between 800 meters and 2,500 meters above sea level. These forests are located in the critical zone for forest growth. Because they belong to the southern edge of Siberia's vast taiga forest - the largest continuous forest ecosystem on earth - they are precious from a global environmental point of view. *Aimags* in the northern and

central part of the country where these forests[1] mainly occur are Khuvsgul (35,475 km^2 of forest area), Selenge (21,805 km^2), Tuv (18,574 km^2), Bulgan (15,519 km^2), Khentii (14,840 km^2), Arkhangay (7,892 km^2) and Zavkhan (9,899 km^2).

7. The forests contain more than 600 species of medicinal herbs, and about 400 species of food and other herbs. Floral diversity is significant both in the forest under-storey and adjacent grasslands, including threatened species such as lady's slipper orchids as well as wild peonies, anemones, globe flowers and carpets of iris. The Mongolian Red Book lists 128 species of plants as endangered and threatened. This floral diversity supports a rich, but still mostly unknown, insect fauna. Mongolia's forest ecosystems also support the livelihoods of rural population in forested areas many of whom are semi-nomadic herders who move back and forth between seasonal grazing areas.

8. The annual forest management budget in Mongolia is approximately US$4 million. The program has few ecosystem-based management elements in it. Most of the Forest Agency's (FA) budget (60%) goes to support pest control and afforestation programs that have provided little evidence of success. Afforestation efforts to date in Mongolia have been overly centralized, very limited in scope, oriented towards industrial forest plantation-style approaches, and not focused on results (ensuring survival of maximum number of seedlings, enhancing natural forest mosaics). Mongolia's forest management practices can sometimes run counter to the accepted standards and methods and practices of ecosystem-based forest management. For example, FA launched a "Cleaning the Forest" Initiative in 2011 to collect dead wood for firewood consumption. This may have some positive impact on the prevention of forest fires. What is certain is that removing complexity from natural forests will have a negative impact on biodiversity and forest ecosystem health. Such an initiative indicates the low level of awareness in Mongolia of ecosystem-based forest management principles and practices that integrate biodiversity conservation and carbon sequestration objectives into productive forest management. GEF funding under this project will complement the FA's baseline forest management program with incremental investments that will be designed to help make the forest management baseline project more decentralized and more biodiversity friendly in a way that will strengthen forest ecosystem resilience.

9. Under the FA's baseline forest management program, forest management in Mongolia will continue to be production-oriented without any meaningful biodiversity conservation objectives included. Biodiversity conservation objectives will not be mainstreamed into forest management planning and practice, and benefit sharing will continue to be an under-developed concept with little practical meaning. The ministerial resolution of 2006 legalized the formation of community-based natural resources user groups or "nukhurlul" and the FA is already adopting participatory forest management (PFM). GEF resources will enable stakeholders to enhance forestry and wildlife regulations to strengthen role and benefits of forest user groups in forest and wildlife management.

10. *GIZ-Government of Mongolia Adaptation to Climate Change in the Forest Sector* (2012-2021): The new GIZ-Government of Mongolia program of collaboration on forest management is the second key element of this proposed project's "baseline project." This initiative is expected to support vocational training schools to strengthen forest management and harvesting in FUGs and private companies. The GIZ project has been specifically designed to be complementary to the GEF project providing staff of the FA and FUG members with forestry training. This would address some of the capacity constraints at field level and complement this project's institutional support to FUGs. GIZ is also expected to provide additional expert technical assistance support to the FA for participatory forest management and field level support to FUGs under the project area over the next five years, and GIZ has confirmed that their new investment in the forest sector has been specifically designed to complement this GEF-FAO investment and will serve as an important element of this GEF project's "baseline project."

11. Moreover, the Government of Finland – MNET project "Strengthening research capacity for SFM in Mongolia (StreFoMon)", 2012-2015 currently under formulation is being designed to play an important role in the baseline project for this proposed FAO-GEF project. It will very timely provide the much needed capacity strengthening of forest research in Mongolia to deliver research information on basic silvicultural techniques, growth and yield needed by PFM stakeholders. Increased forest productivity will fully support the scaling-up of PFM in the country by improving incentives for forest management.

12. These programs – the FA's forest management program and the GIZ-FA program of collaboration, and the StreFoMon project -- will serve as the primary elements of this proposed GEF project's "baseline project"

[1] The area indicated in each *aimag* is the total forest land, including closed as well as open forests.

(see table below), co-funding key baseline elements that the GEF's incremental support will complement to support the long-term building up of sustainable forest management capacity in Mongolia.

Co-financing sources from baseline project	Name of Co-financier	Brief Description of Co-funded Baseline Project Activities	Type of Co-financing	Amount ($)
National Government	Forestry Agency (FA)	- FA staff services and procurement of facilities - New programs to support FUGs such as the "cleaning the forest initiative of 2011" and funding the preparation of FUG forest management plans.	In-kind	4,000,000
Bi-lateral	GIZ	- Focus on biodiversity conservation and adaptation of forest ecosystems to climate change - Vocational training schools for FUGs/Capacity building within the forest sector - 3 experts DED/GIZ seconded to the project, co-funding of USD - Major investments in stabilizing forest ecosystems through sustainable use and critical tools required to enable sustainable use, such as: a wood tracking system; development of national certification criteria and standards for forest enterprises; Capacity development for sustainable forest management in order to facilitate the implementation of the stabilization process; vocational training for forest technicians. - Work to strengthen FUG management of forest areas in buffer zones of priority protected areas	Grant	8,100,000
Bi-lateral	Gov't Finland	- forest research to deliver practical information results achieved by applying basic silvicultural techniques i.e. growth and yield.	Grant	650,000
			Total	**12,750,000**

13. **Threats:** Climate Change: Climate change is perhaps the predominant over-arching threat to forest ecosystem health in Mongolia. The harsh continental climate makes the forests ecologically fragile and sensitive to human-induced ecological disturbances and changing global climatic conditions. Although Mongolia's most important ecosystems, the steppes and forests, are adapted to extreme climate conditions, they are also highly sensitive to changes in the climate. Observed and projected changes in the climate, especially rising winter temperatures, early springs, melting permafrost and drying rivers are some early signs in Mongolia of climate change which is expected to exacerbate other environmental challenges such as overstocking and overgrazing in forest/steppe habitats. These are already having dramatic effects on ecosystems and their species diversity (biodiversity). More frequent wildfires, insect pests, disease pandemics and greater water stress are among the major factors of degradation and are predicted to accompany ongoing climate change. The decline in forested areas due to climate-related reasons means that economic losses are also to be expected in the forestry sector.

14. The current use of Mongolian forests, about 0.07 m^3/ha/year, is far below the potential allowable cut. The introduction of a more intensive forest management system that includes sustainable use and appropriate silvicultural practices would reverse the impact of climate change and human-caused degradation that has led to the loss of about 0.25 million ha in the northern forests during the last 10 years.

15. The project is likely to reduce risks of land degradation and impacts of climate change by protecting important carbon stores and improving management of forests to reduce human-caused wildfires and promoting more sustainable grazing practices in forest steppe ecosystems based on forest management plans. It will contribute to ecosystem-based adaptation by improved management of key watersheds.

16. Mongolia has also recently been included in the list of the countries that seriously suffer from land degradation. According to the definition of UNCCD, almost 90% of Mongolia's pastureland is vulnerable to land degradation and desertification. A recent assessment of land degradation in Mongolia shows that 5% are very severely, 18% severely, 26% moderately and 23% slightly degraded. This means that roughly 72% of Mongolia's overall territory is degraded to some extent, including an estimated 40% of forestlands. The ongoing process of land degradation in Mongolia is widespread and caused not only by climatic factors but also by human activities such as overgrazing, inappropriate management of land and water resources and destruction of forests.

17. The primary threats to forest biodiversity include: a) over harvesting and use of wildlife resources; and b) habitat destruction. *Overharvesting of wildlife*. Wildlife populations (bar isolated exceptions) across Mongolia have experienced dramatic declines over the last two decades with several populations going extinct or close to it. Unregulated wildlife take and degradation of wildlife habitat by excessive livestock grazing have contributed most to this decline. Wildlife poaching by an established illegal network to supply Chinese demand for traditional medicine and by urban elite and rural residents have drained most areas in Mongolia of wildlife. The decline in wildlife populations constitutes not only an ecological disaster but also a substantial waste of potential economic and culture capital that could be harnessed to improve the livelihoods of rural communities.

18. *Habitat destruction*. Inappropriate uses of forest ecosystems degrades forest habitats and attendant biodiversity. For example, excessive grazing in many forest areas of Mongolia reduces complexity of forest ecosystem by eliminating the understory and hampering new tree growth, which in turn eliminates important habitat niches for a range of flora and fauna diversity and thus contributes significantly to forest degradation. Despite being forbidden by the forest law grazing in forest areas is common and widespread. Herders have no rights over forest resources, with the exception of those now involved in FUGs, and therefore have no incentives to keep their animals out of the forest.

19. In another example, *illegal logging and inappropriate timber harvesting practices* also degrade forest ecosystem health and biodiversity. Although forest ecosystems play an important role in sustaining biodiversity and livelihoods, approximately 40% of Mongolia's forests are already suffering from degradation. Human-caused forest degradation is often related to the unclear user or ownership rights over natural resources. The resulting uncertainty about future benefits discourages the local population and forest enterprises from being involved fully in SFM. Due to limited resources actual protection on the ground is very weak and unsustainable harvesting of firewood and timber, and forest fires have led to the loss and degradation of approximately 60,000 ha/year over the last decade (1.6 million ha between 1974 and 2002). Only about one third of current fuel and timber needs are met from legal harvests while restrictions on forest access have led to illegal logging in protected areas and critical watersheds and less than optimal utilization of production forest stands, many of which would benefit from thinning and removal of dead wood and trees damaged by insect infestations.

20. **Barriers:** The baseline projects fall short of achieving the long-term solution of sustainable land and forest management Mongolia's forest landscape securing multiple ecosystem services while enhancing ecosystem resilience to climate change, due to the following:

Barrier #1: Insufficient regulatory and institutional framework for sustainable forest management and inadequate legal framework for wildlife/biodiversity management in forest areas.

21. To respond to the alarming trend of forest degradation and loss of biodiversity, Mongolia has recently formulated a forest law which recognizes the need for environmental protection. Some 77% of forests are officially designated as Protected Zones Forest where only forest regeneration, tending and "cleaning" activities and use of non-timber resources is permitted; about 17% of this area is classified as special protected areas and national parks. The remaining 23% of forest is classified as Utilization Zone Forest where use of timber and non-timber resources is permitted subject to a nationally determined harvesting quota for timber.

22. Mongolia's Forestry Agency (FA) capacity is limited, especially at the aimag (province) and soum (district) levels, and forest areas are too large to be effectively covered by State employees. On average a forest ranger is responsible to supervise as much as about 50,000 ha of forest land and in most case they are poorly trained and have no independent transportation. In order to address the lack of capacity of the FA, participatory forest management (PFM) was introduced 5 years ago and has been successfully piloted with FAO's support. The Forest Law (2007) allows local forest user groups (FUGs) to develop forest management plans and to harvest and sell some limited forest resources.

23. The new legal framework has resulted in the spontaneous establishment of more than 600 FUGs by end of 2011. This shows the high interest of the local population for taking over management responsibilities of natural resources. Although the vast majority of these FUGs are not yet operational, there is now a growing understanding and acceptance of PFM amongst policy and decision makers. PFM is now considered an important mechanism for SFM. However, the implementation of SFM is hampered by the lack of specific "how-to" guidelines and by-laws for how FUGs can achieve multiple benefits and establish sustainable conditions and how results can be monitored and enforced. For example, there are no guidelines or by-laws for how FUGS can mainstream biodiversity conservation objectives into productive forest management nor how forests can be managed to promote carbon sequestration and/or avoid carbon emissions.

24. The Forest Law also has a number of limitations. Wood markets and especially firewood markets are much constrained by the existing regulatory framework in that they create perverse incentives for the illegal exploitation and transportation of firewood for example. Transportation of firewood is subjected to various authorizations. This acts as a disincentive for legitimate firewood producers, and incentive for illegal black-market firewood production, creating an unfair situation for operational FUGs engaged in SFM. Firewood is the main forest product, constituting 65-80% of total wood harvest. It is the main source of fuel used for heating in the cold winters. The total national consumption of firewood is estimated to be 4.38 million m3. Under SFM, marketing of firewood is the main source of income for FUGs. The legislation regarding firewood harvesting and transport does not make specific provision for the direct involvement of FUGs in this market, making it difficult to develop effective decentralized capacities for planning and regulation.

25. In addition, the regulatory framework provides only very limited incentives for stakeholders to engage and to invest in SFM. For example, up to date there are no tax incentives for SFM managers. Moreover, there is still a general lack of understanding about SFM amongst forestry professionals and the wider public, which inhibits active forest management.

26. With respect to the conservation of biodiversity in production landscapes, although responsibility for wildlife lies with MNET, there is no dedicated wildlife agency or division and only two staffs are dedicated to wildlife issues in addition to other duties. There is also no consistent national policy on wildlife management. At the provincial and district administration level wildlife protection and management is also limited due to capacity constraints. Various donor and NGO projects have worked with community user groups and local governments at a few pilot sites in local protected areas and buffer zones to introduce the concept of community management and monitoring of wildlife but there are few benefits to communities.

Barrier #2: Minimal experience among key government and civil society stakeholders in developing and implementing participatory SFM practices on the ground.

27. In Mongolia, with its enormous surface area, small population, and minimal government resources and capacity, meaningful forest management must happen with the proactive involvement of local communities and forest user groups (FUGs). In recent years, participatory forest management (PFM) has been introduced to Mongolia, but its adoption and ability to achieve SFM is hampered by very low levels of capacity to actually plan and implement PFM and particularly PFM with erosion control, biodiversity conservation, and carbon sequestration objectives mainstreamed. Despite these government efforts to protect Mongolia's forest resources and biodiversity that supports rural livelihoods, degradation of natural resources, particularly in the productive forest landscape will continue due to weak capacity of the government and FUGs for participatory sustainable forest management at systemic, institutional and human resource levels.

28. PFM is still in its infancy and the gains recently made remain fragile. Even though there are over 600 FUGs across the country, only a very small fraction of these are operational (less than 10%) and have the required skills to manage their forest resources. This is due to the government's decision to create the legal framework for establishing FUGs without having an understanding of the necessary requirements for sustainable PFM (i.e. how to set up FUGs, their internal management systems, planning and M&E skills, basic forestry technical skills, role and responsibilities of local administration, etc..) and without building FUGs' capacity to implement it. FAO has supported the development and testing of these PFM guidelines and practices, but they do not include biodiversity mainstreaming or carbon sequestration. GEF's incremental investment will fill this gap and enable them to be scaled-up rapidly.

29. Improving management practices forestlands in Mongolia also has been hampered by inadequate coordination at the local level among the MNET, Aimag authorities and local forest users. The adoption and implementation of SLM/SFM at the local aimag and soum level is hampered by the lack of experience among stakeholders in land and resource use planning for forestlands (and the lack of a cross-sectoral, participatory land-use planning process at the aimag level). The real cost of erosion is very high in Mongolia but this cost has yet to be assessed by local authorities and ascribed to the value of healthy forests and pasturelands. This lack of experience undermines the ability of local governments and communities to ensure that the natural resources upon which they depend are stewarded in a sustainable way.

Barrier #3: Minimal experience in SFM and biodiversity conservation in the productive forest management sector of Mongolia.

30. In Mongolia, the proactive adoption and implementation of SFM plans by community groups in collaboration with the FA is still a very novel concept. One of the primary barriers to the adoption of SFM and to mainstreaming biodiversity into SFM practices in Mongolia is that few people have any experience with

doing anything remotely like this on the ground. This absence of "proof of concept" is a significant barrier that this project is designed to overcome. In addition, there are deep-seated capacity constraints that will take many years to overcome. During Soviet times, forest inventory and planning capacity came largely from Russia, leaving little forest management capacity in Mongolia after the transition, a situation that persists today. The ability to determine the condition and health of forests, avoided emissions from improved management and the carbon storage potential of existing stands are uncommon skills in Mongolia. There is no systematic approach to capacity building for SFM/SLM. Essentially no local authorities have any training in how to monitor and enforce by-laws specifying how to implement SFM, or on the importance of healthy forest ecosystems to erosion control. At the local level, producer and community-based organizations are poorly developed with limited opportunities for training in sustainable resource management.

31. In the baseline scenario, the degradation of forest resources and biodiversity in productive forestlands will continue due to weak capacity of the government and FUGs for participatory sustainable forest management at systemic, institutional and human resources levels. Without GEF's incremental support, investments will not focus on integrating biodiversity conservation objectives into productive forest management practices and policies and SFM will remain in its infancy because it will not be effectively transferred to the new and emerging PFM mechanisms known as FUGs due to the barriers described above. Although the Forest Law (2007) was formulated to provide an enabling environment for community-based forest management and the devolution of forest management rights to local user groups, the law will achieve little in stopping the on-going degradation of the forest cover and the destruction of wildlife unless the weakness of the current capacity of the forest administration and of the institutional framework is addressed. Mongolia is likely to see limited management of some forests, including a few pilot sites where local participatory management is already in place, but most forest areas will remain effectively unmanaged across the production landscape and subject to illegal logging, wild fires and degradation with the resulting emissions.

B. 2. INCREMENTAL / ADDITIONAL COST REASONING: DESCRIBE THE INCREMENTAL (GEF TRUST FUND) OR ADDITIONAL (LDCF/SCCF) ACTIVITIES REQUESTED FOR GEF/LDCF/SCCF FINANCING AND THE ASSOCIATED GLOBAL ENVIRONMENTAL BENEFITS (GEF TRUST FUND) OR ASSOCIATED ADAPTATION BENEFITS (LDCF/SCCF) TO BE DELIVERED BY THE PROJECT:

32. The proposed project builds on and complements the baseline project. The GEF funded alternative will address the above capacity constraints and policy barriers to mainstreaming biodiversity conservation and SFM into productive forest management practice. GEF's incremental investment will further strengthen participatory management of forest resources to secure global biodiversity and climate change benefits, and national and local benefits for local communities. GEF funding will support measures to mitigate CC such as managing natural forests to emphasize natural regeneration through the adoption of new practical silvicultural practices and improved management of grazing and wood collecting in forests that in turn will avoid emissions caused by degradation, increase sequestration through enhanced biomass and improve the productivity of forests.

33. The **objective** of the GEF funded alternative is sustainable forest management in Mongolia's forest landscape secures the flow of multiple ecosystem services and benefits, including carbon storage, biological diversity, and land stabilization, while enhancing ecosystem resilience to climate change. The project will engineer a shift from the current unsustainable practices to sustainable forest management practice that will generate significant global benefits, as detailed in the table below:

Current practice	Alternative to be put in place by the project	Global Benefits
Illegal logging for fuel wood; Overgrazing – exceeding carrying capacity in forests; Focus on plantations and not rehabilitation of natural forests; focus on cleaning forests and not forest ecosystem health.	Sustainable forest management practices - Capacity building and scaling up PFM; - Regulatory incentives for sustainable production of firewood and other forest products; - Silvicultural practices to improve forest condition, biodiversity, and forest growth.	- Improved SFM and biodiversity-oriented management of 2,760,000 ha of forest over the long-term. - Population numbers and condition stable or improving for Musk deer (*Moschus moschiferus)*, taiman (*Hucho taimen*) in target areas. - Improved SFM and forest restoration work across 100,000 ha contribute to securing 4,758,750 tons of sequestred C in pilot areas. 100,000 ha, average volume 135 m^3 100,000 ha x 135 m^3 x 0.75 BCEF x 0.47 CF = 23,793,750 tC

Current practice	Alternative to be put in place by the project	Global Benefits
	- Incentives for sustainable grazing in forest; - Restoration of degraded forests	- Improved multi-functional forest management across 500,000 ha leads to improved productivity of forest and increased sequestration of 291,000 t C/year from tree growth. Boreal conifers: 500,000 ha x 1.24 G x 0.47 (CF)= 291,400 tC/year - Avoided emission of 9,500 t C/year through SFM. Boreal conifers: Estimated rate of deforestation 0.2%/year (for 100,000 ha: 200ha/year), average volume/ha 135 m3, total annual loss 135,000 m^3 135,000 m^3 x 0.75 x 0.47 CF = 47,587 t C/year - Sequestration of additional 700 t C/year through SFM and the adoption of new silvicultural techniques. Boreal conifers estimated growth increase of 2 m^3/ha/year through SFM over an area of 1000 ha/year. 2m3 x 1000 ha x 0.75 x 0.47 CF = 705 t C/year

34. Incremental GEF resources will support the mainstreaming of biodiversity conservation objectives and SFM objectives into productive forest management practices. The proposed project will provide an opportunity for a major scaling up and strengthening of participatory forest management techniques to address capacity constraints within the forestry sector. In doing so, the project will introduce participatory SFM and biodiversity conservation through four interlinked components: (i) Strengthening policy and regulatory frameworks for forest and wildlife management (ii) Models for mainstreaming biodiversity conservation and benefit sharing into SFM demonstrated in priority forest areas (iii) Models for sustainable forest management and enhancing carbon storage and (iv) Knowledge development, capacity building, and monitoring. These components are summarized in more detail below and will be elaborated fully under the PPG.

Component 1: Strengthening, Policy and Regulatory frameworks for forest and wildlife management.

35. Under Component 1, GEF support will enable the mainstreaming of biodiversity and SFM into the forest policy and regulatory framework to institutionalize sustainable participatory forest and biodiversity management in the forest sector and to build the appropriate institutional capacity at national, local and community levels. GEF incremental resources will enable stakeholders to develop and adopt a package of modifications in the policy and regulatory framework to strengthen participatory forest management (PFM) as the primary mechanism to achieve SFM and biodiversity mainstreaming.

36. This work will include the elaboration of by-laws and guidelines on how PFM and more specifically forest user groups, can achieve healthy forest ecosystems / healthy forest biodiversity, including management standards for SFM and guidelines for enforcement. New regulations and guidelines will allow for greater utilisation rights for FUGs to improve incentives for enhanced forest stewardship. Benefit sharing regulations to incentivize community involvement at local levels (i.e. firewood harvest/transport) will also be elaborated and adopted by MNET with the support of work under this component. In addition the project will work with MNET and other stakeholders (government, academics, NGOs and civil society) to develop and adopt a national concept on community-based forest biodiversity and wildlife management. Strengthened SFM and biodiversity mainstreaming regulations and by-laws will enable the improved management of 2,760,000 hectares of forest over the long-term[6].

37. GEF incremental investments, working to complement baseline project co-funding for more traditional forest management capacity (See GIZ co-financing in baseline project section), will enable the MNET to establish a small but effective wildlife conservation unit at the national level, responsible for wildlife policy and management as well as strengthening wildlife conservation units at pilot sites. This will be complemented by training in PFM and biodiversity management at national, aimag and local levels (user groups and local administrations. And finally, GEF resources will strenghten the ability of Mongolia's Forest Agency to better understand and value the critical ecosystem services that healthy forest ecosystems provide Mongolians, with

[6] 23% of Mongolia's approximately 12 million hectares of forestlands are classified as "production forests" and are the focus of this project's efforts. This is equal to 2,760,000 hectares.

an eye towards enhancing sustainability of participatory sustainable forest management. Component 1 of the GEF intervention will ensure that the weaknesses of the existing institutional framework are alleviated thus creating an enabling environment for sustainable forest and wildlife management.

Component 2: Models for Mainstreaming Biodiversity Conservation and Benefit Sharing into SFM demonstrated in priority forest areas.

38. Under Component 2, GEF's incremental investment will support the demonstration of how to mainstream biodiversity through participatory forest and wildlife management at 10 pilot sites. At least 50 forest user groups will elaborate PWM plans that integrate biodiversity, ecosystem values and forest ecosystem integration measures. Activities will strengthen the capacity of selected operational FUGs and of soum officials at the pilot sites to protect, assess, sustainably manage, monitor and utilise wildlife non-timber resources through development and implementation of management and marketing plans and appropriate income-generating activities based on wildlife and habitat conservation *e.g.* ecotourism and hunting. Sites will be chosen in production forests according to their biodiversity and ecosystem values. For example, forest user groups located adjacent to critical forest compartments of high biodiversity, wildlife corridors and/or watershed value. Target sites for user groups and capacity building at local government level are likely to be in forest ecosystems in the 2 aimags of Huvsgul and Khentii. By the end of the project, it is expected that wildlife management plans would be in place for some 50,000 hectares of production forest and a system of local level wildlife conservation, management and administration will have been established in the two pilot sites. In addition, working with activities under Component 3, biodiversity conservation objectives will be mainstreamed into the 100 PFM plans elaborated under Component 3. The project would provide appropriate training to build government institutional capacities to sustain, improve and expand support to user groups for planning, management, monitoring and marketing resources. Through a national level Wildlife and Natural Resources Policy Steering Committee, the experiences drawn from these pilot projects will be incorporated into decision-making on wildlife and natural resources policy and regulations to promote an enabling national context for local level wildlife resources management.

39. Component 3 of the GEF intervention will, for the first time in the country, ensure that the PWM is adequately tested and that sufficient knowledge is generated to further scale it up at national level.

Component 3: Models for Sustainable Forest Management and Enhancing Carbon Storage.

40. This component would build on experiences, good practice and implementation guidelines developed under the FAO pilot project and other PFM initiatives to scale up sustainable forest management to a national level to enhance / restore the quality of forests and provide economic resources and incentives for local communities to bring up to 500,000 ha of production forests under improved multi-functional forest management. Approximately 100 FUGs will be empowered under this work, with an average forest area under each FUG of 5,000 ha.

41. Key activities would include strengthening forest user groups (FUGs) through training and facilitation for forest resource assessment, preparation and implementation of forest management plans and business plans; silvicultural techniques for rehabilitation of depleted forests, thinning of overstocked forests and fire management. A study has shown that the current annual increment of about 1 m^3/ha/year could be easily brought to 3 m^3/ha/year if some basic silvicultural treatments are applied. The project will work with FUGs who themselves apply to participate and is expected to strengthen at least 100 FUGs operating in production landscapes. Twenty of these strengthened FUGS will participate in piloting improved SFM practices across 100,000 ha, generating an increased carbon storage of 4,758,750 t Carbon and avoided emissions level of 9,500 tC/year.

42. In addition to working with FUGs, the project would also provide training for local level rangers and other soum administration staff, e.g. EPTA staff, to increase capacity to strengthen compliance monitoring, to provide and support services to FUGs. To increase incentives for FUGs to engage in forest protection and PFM the project will also support income generating activities through the development (Market and Analysis Development) of small-scale enterprises to add value to forest products and promote markets for harvests of firewood etc. from sustainably managed forests. Pilot PFM sites have shown that pastures have considerably benefited from the management work of FUGs, grazing is controlled and water steams have reappeared thanks to the prevention of human-caused forest fires and illegal logging.

43. Component 3 of the GEF intervention will ensure that sound PFM is scaled-up to a level that will revitalize the Mongolian forest sector and will durably ensure that SFM is widely practiced. To that effect the component will further mobilize large number of stakeholders, build their capacity and confidence in the

planning and implementation of these practices. In the project area, the rural population will be provided with improved livelihoods conditions that in turn will prevent further out migration to the urban areas.

Component 4: Knowledge Development, Capacity building, Targeted Research and Monitoring

44. The project will finance supporting activities through four sub-components: a) capacity building b) public awareness and education c) scientific studies and d) monitoring. The technical capacity of national professionals will be upgraded through on-the-job training and in-country meetings and field visits. International study tours and training will be used to expose national authorities to best practices in local-level forest and wildlife conservation, management and utilisation, with the view to improving the enabling context at the national level for local level conservation and management of forest resources. Within country the project will support cross group study tours, herder-herder interactions and annual user group meetings to exchange experiences and good practice among stakeholders. Lessons learned from these experiences and field site implementation will be used to develop training modules and good practice guidance for replication and scaling up. The project will also help to establish active FUG associations and learning network.

45. The project will support targeted education and awareness campaigns focused on different audiences (government agencies, local administrations, user groups, general public) to promote the benefits of ecologically-based forest and wildlife management, and create awareness of the critical role of ecological processes and wildfire in forest management. Information from specific studies will feed into these campaigns, including information on the value of ecosystem services from protected and well-managed forests and watersheds. The project would support specific studies on natural regeneration, silviculture, and valuation of ecosystem services at key sites and monitoring of wildlife populations. Through partnerships with research and academic institutions knowledge on integrated and sustainable forest management and wildlife and natural resources utilization and conservation will be improved. Cost effective methods of forest management, silviculture and regeneration will be promoted as well as improved knowledge on the impact of participatory wildlife conservation on rural livelihoods, innovative use of nature-based tourism and better understanding of the impact of habitat degradation on ecosystem goods and services. This knowledge will be systematically integrated in all relevant project activities to improve efficiency and sustainability, and it will be widely disseminated and made available to non-project stakeholders through public awareness campaigns, dissemination of guidelines and workshops at regional and local levels

46. Component 4 of the GEF intervention will be filling important capacity, knowledge and awareness gaps that are required to support participatory management of forest ecosystems.

B.3. DESCRIBE THE SOCIOECONOMIC BENEFITS TO BE DELIVERED BY THE PROJECT AT THE NATIONAL AND LOCAL LEVELS, INCLUDING CONSIDERATION OF GENDER DIMENSIONS, AND HOW THESE WILL SUPPORT THE ACHIEVEMENT OF GLOBAL ENVIRONMENT BENEFITS(GEF TRUST FUND) OR ADAPTATION BENEFITS (LDCF/SCCF). AS A BACKGROUND INFORMATION, READ "MAINSTREAMING GENDER AT THE GEF.":

47. Recent trends in poverty show that in rural areas in Mongolia between 2002/03 and 2007/08 the poverty index increased by 7% from 42.7 to 49.7, which means that half of the rural population is now in poverty (World Bank 2009). Livestock farming, which includes grazing in forest areas, is the main rural livelihood but can be affected by the harsh weather conditions; for instance more than 9 million head of livestock were lost during the harsh winter of 2009/2010. Other economic activities in rural areas are limited; this is resulting in emigration away from the countryside to urban centres. Participatory forest management can help to diversity rural livelihoods and generate sustainable incomes. It will reinvigorate the rural economy, providing local livelihood benefits while at the same time providing the mechanism for improved forest management activities to maintain healthy and productive forest ecosystems while meeting local and national demands for firewood and other timber products. The engagement of local communities and family groups as forest stewards through participatory forest management accords well with Mongolian cultural norms. Local benefits will include financial benefits for FUGs from forest products and livelihoods associated with forest and wildlife conservation and sustainable use, social capital formation among rural communities, and local environmental benefits from the maintenance of environmental services from natural forests (such as water sources), and well-managed grazing lands in forest steppe ecosystems. National benefits will include: enhanced watershed protection and management; reduced losses from wildfires in terms of biological mass, forest assets and property and fire suppression costs; the sustainable and productive use of natural resources including by downstream agriculture and forest-based industries; improved governance and increased revenues from forestry activities; improved capacity and enhanced efficiency in forest management for the governments at

central and local levels; greater resilience of communities and forests to the effects of climate change and natural disasters; and environmental benefits including reduction in soil and water erosion.

48. The project design is gender neutral but experience shows that women are active participants in pilot FUGs, serving on FUG committees and decision-making groups. It is expected that in the area of wildlife and natural resources conservation and utilisation the roles of men and women will be distinct. The project will identify those areas / activities that demand special attention to foster the active participation of women. In all activities, efforts will be directed at strengthening the social fabric of civil society in the soum.

49. Due to the degradation of the environment and the absence of opportunities to improve their livelihood, many herders choose to join the flow of migrants to the urban areas mostly to the capital city and settle there in great poverty.

B.4 INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS THAT MIGHT PREVENT THE PROJECT OBJECTIVES FROM BEING ACHIEVED, AND IF POSSIBLE, PROPOSE MEASURES THAT ADDRESS THESE RISKS TO BE FURTHER DEVELOPED DURING THE PROJECT DESIGN:

50. This project presents low to moderate risks since PFM is already supported by legal frameworks and political will. It will build on a sound foundation and established approach of participatory forest management already tested at 16 pilot sites under the current FAO/Government of Mongolia project. Some of the good practice developed under that project is already being picked up through other donors, such as WWF and GIZ, but again at only a limited number of sites. This project will take the whole concept of PFM to national scale with benefits to biodiversity and sustainable land and forestry management. A number of potential risks have been considered:

Risk	Rating	Mitigation measures
The capacity at national, local and community level to support sustainable forest and wildlife management is just emerging and may be difficult to operationalize effectively.	Medium	A PFM Unit has been established within the FA in July 2011. This unit will be key to support the country-wide scaling up of PFM. The project will specifically target capacity building at national, provincial and local community and government levels to strengthen participatory forest management. It will build on practices and principles already tested through the current FAO/Government of Mongolia pilot project and will utilize experienced PFM facilitators and training for trainers. PFM–style practices will be tested at 10 sites for wildlife management prior to replication elsewhere. A GIZ project will provide vocational training for forest management and sustainable harvesting to local user groups and small businesses.
Climate change impacts may increase to the extent that even if the project implements activities to improve land condition in forest lands it may not be enough to make a difference. New threats could emerge, such as insect infestations or disease caused by CC.	Uncertain	The project will instill an approach to SFM that is underlain by fundamental scientific principles and participatory methods and mechanisms that will enable stakeholders to modify SFM approaches to the proper scale and scope needed. The project will not be designed to respond rigidly to one threat or another – it will seek to put in place processes and tools that will enable stakeholders to adapt SFM practice so that they translate into practical, improved management on the ground for any given context defined by any given threat. Well-managed forest stands will also be healthier and more resilient to climate change.
There may not be sufficient incentive for communities to form and sustain FUGs.	Low	Experience at 16 pilot sites indicates that FUGs are keen to establish forest rights for environmental as well as economic benefits. If properly managed Mongolia's forests can deliver a sustainable harvest of timber, firewood and poles with sales benefiting local communities. To ensure that fair prices are obtained from forest sustainable utilization, the Government will have to enforce necessary measures to compete efficiently and effectively against the illegal wood market. Incentives for local FUGs from wildlife management will be tested at 10 pilot sites selected for their biodiversity values.

Government and public commitment lacking for ecologically based natural forest management.	Low	The project will support targeted awareness campaigns to promote awareness of the benefits of ecologically-managed forests. The project will also support several studies of valuation of ecosystem services at key sites to demonstrate water and other ecosystem benefits accruing from well-managed forests. Establishment of FUG associations and a learning network at regional and national levels will help to disseminate information on livelihood benefits.

B.5 IDENTIFY KEY STAKEHOLDERS INVOLVED IN THE PROJECT INCLUDING THE PRIVATE SECTOR, NGOS, CIVIL SOCIETY ORGANIZATIONS, LOCAL AND INDIGENOUS COMMUNITIES, AND THEIR RESPECTIVE ROLES, AS APPLICABLE:

51. The project will be executed through the Forestry Agency with day-to-day management and monitoring undertaken by its Participatory Forest Management Unit. The project would support incremental operational costs, contractual staff, equipment and short-term technical assistance as needed.

52. Key stakeholders are MNET, Forestry Agency, local governments and local herder communities and forest user groups. Other stakeholders include national and international NGOs, emerging FUG associations, academics and bilateral donors engaged in natural resource management programs. National NGOs which proven capacity, such as the "People Centered Conservation" (PCC) and others will be given the responsibility to conduct capacity building of various stakeholders and awareness campaigns. The World Wildlife Fund (WWF) will be much involved in scaling-up PFM and in testing WFM based on the positive experience and collaboration with the FA and FAO that took place in 2010 and 2011. The first FUG associations are emerging in a few aimags. They will be further strengthened by the project to support the scaling-up of PFM through a "FUG to FUG" approach. The project will be executed through the Forestry Agency to institutionalize participatory forest management as national policy and scale up PFM activities countrywide. Local governments will also benefit from capacity building and transfer of responsibilities for forest management to local user groups. The FAO pilot project has already successfully demonstrated the value of PFM in improving forest management when responsibilities and benefits are devolved to local user groups. This project will provide the opportunity to expand PFM to a much broader landscape and more than 100 FUGs covering at least 500,000 hectares of production forest. Since at the local level ecosystem management involves the same forest user groups, it makes sense to test the principles of participatory wildlife management with some pilot FUGs already involved in preparing forest management plans.

53. A stakeholder workshop hosted in Ulaan Baatar by MNET identified scaling up of PFM and enhanced community participation in wildlife management as key needs to ensure effective protection and management of the forest resource. Participants also voiced strong support for using the project to catalyse policy and institutional development to rationalize participatory wildlife management and to develop institutional capacity at national, provincial and soum administration levels to support and monitor wildlife management.

B.6. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

54. This proposed project will coordinate with a range of ongoing initiatives in Mongolia related to forest and biodiversity management. Most initiatives focus on one or the other and this proposed FAO-GEF project will coordinate with all to ensure that best practices are incorporated into the proposed FAO-GEF project's integrated approach. Several NGO projects are focusing upon community management of wildlife resources in steppe and other non-forest ecosystems. The Wildlife Conservation Society/USAID funded project in the Eastern Steppes (2009-2014) has been working with herder groups to develop wildlife management, protection, and monitoring plans in their community-managed areas. The Nature Conservancy (TNC) is also looking at community management of wildlife resources in steppe and other non-forest ecosystems. The mechanisms tested by these projects will be relevant to the proposed FAO-GEF project.

55. This proposed project will complement the current UNDP/GEF *Strengthening of the Protected Area Networking System in Mongolia* (SPAN) project and the proposed UNDP/GEF project *Network of Managed Resource Protected Areas*. The project will collaborate with UNDP and relevant NGO partners on regulatory and capacity issues concerned with expanding community roles and benefits in wildlife management. Since all these projects will be seeking to promote greater engagement of communities in natural resource management, it will be proposed to establish a joint steering committee in MNET to ensure close coordination and collaboration during both project preparation and implementation.

56. The SDC (Swiss Development Cooperation) project "Green Gold" has been implemented since 2004 to strengthen the self-reliance of poor and vulnerable herders to improve their livelihoods through more productive and sustainable use of pastures in Mongolia. The project follows a very similar approach to PFM for managing natural resources in selected locations. A new phase will be formulated and implanted from 2013 to 2016 and it has been agreed with SDC to closely collaborate with the project in Arkhangai and Zavkhan aimags to integrate forest and pasture management at user groups' level. This integrated natural resources management would be very innovative for Mongolia and would respond to the herders' recurrent request to better manage their land.

C. DESCRIBE YOUR AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

57. One of FAO's strategic goals is the sustainable management of the world's forests. FAO is already playing a pivotal role in development of the Mongolia Forestry Strategy and forest policies and regulations. The mandate of the Forestry Department (FO) of FAO is to support member countries to implement sustainable forest management by providing policy advice, technical knowledge and reliable information while ensuring that forests and trees contribute to sustainable livelihoods. The FAO FO works to balance social and environmental considerations with the economic needs of rural populations living in forest areas. FAO serves as a neutral forum for policy dialogue, as a reliable source of information on forests and trees and as a provider of expert technical assistance and advice to help countries develop and implement effective national forest programmes.

58. The FAO FO employs about 150 staff including about 10 staff working in the Asia Pacific Region. FAO's rich and unique experience worldwide designing and implementing with country partners projects to build institutional capacities for forestry, wildlife and natural resource management and in integrating forest with biodiversity conservation and forest management. In Mongolia, FAO has been a key player in the Mongolian forestry sector since 2000. FAO is currently implementing the "Capacity Building and Institutional Development for Participatory Natural Resources Management and Conservation in Forest Areas of Mongolia" to pilot and test participatory forest management system (PFM). This project has concluded its work in January 2012, successfully demonstrating improvements in forest health and management through transfer of management responsibilities to Forest User Groups (FUGs). The PFM concept has been officially adopted for national implementation by the Forestry Agency. The experience FAO has gained in working with Mongolian partners on this project is an important element in FAO's comparative advantage to implement this project, as the proposed GEF project will build on this foundation of lessons learned and good practice to scale up PFM nationally.

59. FAO has also significant experience on land rehabilitation and climate change mitigation and recently developed Ex-Act, a software to monitor carbon impact of projects of this type. Finally, FAO will bring to this project its global knowledge of best practices gained through its numerous technical programmes and field projects.

C.1 INDICATE THE CO-FINANCING AMOUNT THE AGENCY IS BRINGING TO THE PROJECT:

60. FAO will provide over the next 5 to 6 years co-financing of USD 1,000,000 for the full-size project from two Technical Cooperation Programme (TCP) grants to provide technical assistance to: a) initiate the scaling up of PFM; and b) develop wildlife management policies and institutional capacity at national, soum and community level to improve wildlife management and monitoring. FAO will also mobilize resources from other bilateral donors as co-financing for the project as reflected in the close cooperation evident among Government of Mongolia, FAO and GIZ under the "Baseline Project" section of this PIF. Mongolia is already working with FAO support on forest policy and the forest strategy review with support from the National Forest Program (NFP) Facility[7]. It is expected that Mongolia will also benefit from further FAO support (together with the World Bank and IUCN) through a new Forest Partnership Facility (FPF) designed to: (i) support greater participation of local community stakeholders in policy dialogue; (ii) promote cross-sectoral cooperation between forestry and other development sectors; and (iii) mobilize investment opportunities for small stakeholders to add value to SFM products. Although the exact level of this additional co-financing is yet to be determined, the size of these grants under the FPF will be between USD 500,000 to 700,000.

[7] The National Forest Programme (NFP) Facility was created in 2002 as a response to intergovernmental dialogue, which has recognized the essential role of NFP in addressing forest sector issues. The NFP Facility stimulates broad stakeholders participation in the NFP processes by providing grants directly to the civil society to implement their NFP.

C.2 HOW DOES THE PROJECT FIT INTO THE GEF AGENCY'S PROGRAM (REFLECTED IN DOCUMENTS SUCH AS UNDAF, CAS, ETC.) AND STAFF CAPACITY IN THE COUNTRY TO FOLLOW UP PROJECT IMPLEMENTATION:

61. The project is in line with FAO's Strategic Objectives E "Sustainable management of forests and trees", G "Enabling Environment for markets to improve livelihoods and rural development" and L "Increased and more effective public and private investment in agriculture and rural development" included in its Strategic Framework 2010-2019. The FAO Mid-Term Plan 2010-2013 is seeking to implementing effective practices to improve their management and conservation of forests, the effective implementation of forest policies and responsible practices based on good information and transfer of knowledge and to meet global reporting obligations under the UN Framework Convention for Climate Change, the Convention on Biological Diversity, Convention to Combat Desertification.

62. Mongolia's UNDAF 2012-2016 gives strong priority to sustainable natural resource management. FAO as a UN agency is supporting the UNDAF through ongoing support to strengthen the Forestry Agency and development of the Forest Policy and Forest strategy. FAO has been supporting development of the National Forest Program and is expected to continue support to the forests sector in Mongolia under the new Forest Partnership Facility. FAO is in the process of developing a new Country Programme Framework for future support to Mongolia; participatory forest management is identified as one of the priorities within this framework.

63. FAO will be responsible for technical support and overall management and financial supervision of project implementation. The primary executing partner will be the Forest Agency of Mongolia, which will enter a Letter of Agreement with FAO. FA will be responsible for day to day project coordination, execution of project activities and day to day monitoring of project progress. FAO's existing environment team in Ulaanbaatar, Mongolia, comprised of a Chief Technical Advisor in forest management and a national program coordinator, will also lend support to FA in this regard.

64. The project will be supervised technically by the Senior Forestry Officer based in the Bangkok, working closely with the FAO Country Office in Mongolia and with technical support from 3 to 4 forest officers in FAO Headquarters. The Senior Forestry Officer will be the Lead Technical Officer (LTO) for FAO on this project. The LTO's job will be to ensure adequate technical support for project implementation and to provide technical support throughout preparation and implementation of the project. The project will also be guided and supported by a multidisciplinary Project Task Force that will be established in FAO.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the country endorsement letter(s) or regional endorsement letter(s) with this template).

NAME	POSITION	MINISTRY	DATE *(Month, day, year)*
A. Enkhbat	Director, Ecological Clean Technology and Science Division	MINISTRY OF NATURE, ENVIRONMENT AND TOURISM	07/01/2011 06/12/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Charles Riemenschneider Director, Investment Centre Div Technical Cooperation Dept FAO Viale delle Terme di Caracalla 00153, Rome, Italy		3 February 2012	Patrick Durst FAO Regional Office for Asia and the Pacific (RAP)		Patrick.Durst@fao.org
Barbara Cooney FAO GEF Coordinator Email: Barbara.Cooney@fao.org Tel: +3906 5705 5478			Jeffrey Griffin Environment Officer TCIO FAO Rome		jeffrey.griffin@fao.org

Attachment #1: Letter confirming GIZ's role in baseline project co-financing.

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Email	Klaus.Schmidt-Corsitto@giz.de	Date	14.12.2011

Nr. 100/11

Dear Mr. Frank Fass-Metz,

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is planning to start a new project in Mongolia with focus on biodiversity conservation and adaptation of forest ecosystems to the climate change in March 2012.

The proposed duration of the project is 10 years. Estimated overall cost of the first phase (03/2012-02/2013) is 3 Million Euros.

Kreditanstalt für Wiederaufbau (KfW) is also planning to invest in the environmental sector of Mongolia aiming at biodiversity conservation through strengthening protected area management starting from 2013. Estimated amount of the investment is 11 Million Euros.

These projects would be very complimentary to the proposed GEF-FAO proposal "Securing Forest Ecosystems through Participatory Management and Benefit Sharing" to contribute to the protection of biodiversity in Mongolia. Actually the GIZ project has been specifically designed taking into account the prospective scaling-up of participatory forest and wildlife management foreseen in the GEF-FAO project.

Please contact us for any further information regarding the matter.

Best wishes

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Klaus-Schmidt-Corsitto
Climate Change and Biodiversity
Programme director

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