

# IEG ICR Review

Independent Evaluation Group

<b>1. Project Data:</b>		<b>Date Posted :</b> 09/25/2012	
<b>Country:</b>	Bosnia and Herzegovina		
<b>Project ID:</b>	P079161	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b>	Forest Development & Conservation Project	<b>Project Costs (US\$M):</b>	5.09 / 10.05
<b>L/C Number:</b>	C3779	<b>Loan/Credit (US\$M):</b>	3.74 / 7.00
<b>Sector Board :</b>	Agriculture and Rural Development	<b>Cofinancing (US\$M):</b>	0.60 / 0.78
<b>Cofinanciers :</b>	Italian Government; FIRMA (funded from USAID and SIDA)	<b>Board Approval Date :</b>	06/10/2003
		<b>Closing Date :</b>	02/28/2007 / 02/07/2011
<b>Sector(s):</b>	Forestry (50%); Central government administration (50%)		
<b>Theme(s):</b>	Other environment and natural resources management (29% - P); Land administration and management (29% - P); Environmental policies and institutions (14% - S); Rural non-farm income generation (14% - S); Other public sector governance (14% - S)		
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<p><b>2. Project Objectives and Components:</b></p> <p><b>a. Objectives:</b></p> <p>The Development Credit Agreement, dated July 7, 2003, for the Forest Development and Conservation Project states the project development objective was :</p> <p>"... to assist with the Borrower in the implementation of reforms in forest organization and management, both at the Entity and canton level" (p.16).</p> <p>The Project Appraisal Document, dated May 14, 2003, states the objective was :</p> <p>".. to assist with the implementation of legislated reforms in forest organization and management, which are expected to increase revenues from forest resources, improve forest management, and enhance biodiversity conservation through participatory approaches in forest land use planning " (p.3).</p> <p>This IEG assessment uses the Credit Agreement's statement of the objective as it is more concise and evaluable .</p> <p><b>b.Were the project objectives/key associated outcome targets revised during implementation?</b></p> <p>No</p> <p><b>c. Components:</b></p> <p>The project had four components but components 2 and 3 were modified at Mid-Term Review (MTR). In addition, some subcomponents were specific to the states comprising Bosnia -Herzegovina, Republika Srpska and the Federation of Bosnia-Herzegovina (which is composed of ten cantons).</p> <p><b>1. Accelerating the implementation of new legal, institutional and economic frameworks</b> (US \$2.54 million, including US \$0.82 additional financing in 2007; actual total disbursed was US\$2.54 million).</p> <p><b>A. Supporting the sector's institutional reforms</b> . Assist both Entities, largely through technical assistance (TA)</p>
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and training, in implementing new legal and institutional frameworks to set up a modern forest management regime to help ensure the sustainable use and protection of forest resources, leading to an autonomous and self-financing forest sector competitive at European levels . In the Federation support was to be provided at the cantonal and Federation levels to strengthen newly created Cantonal Forest Offices, finalization of contracts between cantonal forestry ministries and Cantonal Forest Companies, as well as support to forest guards and inspectors to improve transparency and forest governance . In Republika Srpska the sole forest company, Srpske Sume, would receive tailored training packages similar to those for the Federation .

**B. Improving the economic and financing framework** . Improve financial management and forest sector revenue generation, while assuring sustainable forest management practices . Technical assistance, training, study tours, workshops, and software were to be funded in both Entities in the following categories :

(a) Financial flows: Review of accounting procedures, comparing them with good practices, and consolidating information at the Entity level .

(b) Alternative financing options: Rather than from business taxes, explore funding Cantonal Forest Officers directly from the budget or from a fund financed from timber sales .

(c) Timber marketing: Improve timber pricing, the assortment of timber products and market information to reflect international best practices .

(d) Non-timber Forest Products: Support activities to increase forest revenues through management of non-timber forest products and designation of forest non-timber product use .

## **2. Strengthening of Technical Capacity for Sustainable Forest Management** (US \$5.66 million, including US \$3.05 million additional financing in 2007; actual total disbursed was US\$5.66 million).

This was to facilitate implementation of economically and environmentally sound forest management in Forest Management Units in both Entities, including technical instruments to ensure monitoring and sustainable use . It was also aimed at helping Bosnia-Herzegovina to develop National Standards to provide sustainable forest management and forest certification .

**A. Development of a GIS -based (Geographic Information System ) Forest Management Information System** . Provide TA, equipment and training to develop, establish and maintain a forest management information system to be used as a tool in the field and in head offices for planning, management, monitoring and supervision of forest operations. The management system was to cover all public and private forests where ownership is formally registered .

**B. Implementation of a State Forest Inventory** . Carry out over a 2-year period in both Entities, in synergy with development of the forest management information system, an independent inventory to improve the quality of state forest resource data and provide a basis for forest monitoring, forest strategy and priority setting for forest research and development. Information on critical forest ecosystems was to be supplied to provide a base line for forest and biodiversity conservation .

## **3. Promoting Biodiversity and Forest Conservation in Both Entities** (US \$0.78 million Italian Government Grant; no additional financing; actual total disbursed was US\$0.78 million).

This was to support both Entities to leverage the country's landscape and biodiversity endowment into expansion of protected areas (PAs). This component was to be fully funded by an Italian Government grant that was intended to pave the way for a GEF project on biodiversity conservation and PAs . Three complementary sets of activities were to be developed :

*A. Development of a National Biodiversity Strategy*. The institutional arrangements planned for developing and implementing the Strategy were to build on the National Environmental Action Plan . A wide range of participatory processes and stakeholder groups were to be utilized .

*B. Drawing up of proposals for a country-wide protected area network*. Several workshops were to be held to agree on a first draft national PA network. GIS mapping and ground-truthing under the State Forest Inventory were to provide detail for longer-term PA planning. These activities were expected to take at least 18 months.

*C. Setting up procedures for a comprehensive consultation process for protected area establishment* . A broad stakeholder community comprised of a number of public sector levels, civil society and the private sector was to participate in the decision process for establishing new PAs, drawing on best practices locally and internationally. Field-testing was to be undertaken in an area proposed as a National Park (Igman-Bjelasnica).

## **4. Project Implementation, Monitoring and Evaluation** (US \$1.07 million, including US \$0.60 million additional financing in 2007; actual total disbursed was US\$1.07 million).

Project management was undertaken by two small Project Implementation Units (PIUs) within each of the two Entity Ministries responsible for forestry . Permanent staffing was to include two PIU directors each supported by an administrative assistant. This component was also to strengthen donor coordination around the national forest agenda and examine the feasibility of harmonizing donor procedures . The PIUs were to be responsible for monitoring progress based on indicators developed during project preparation and provide quarterly implementation reports and activity plans in a format acceptable to the Bank .

#### **d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

**Project Costs** . Through the amended Credit Agreement of 8-31-2007 an IDA Credit in the amount of US \$3.35 million was added to the original 2003 IDA credit of US \$ 3.74 million.

**Financing**: The original IDA credit approved in June 2003 was US\$3.74 million. By project closing in November 2010 this had increased to US\$4.30 million as a result of SDR appreciation against the US\$. For the same reasons, the amount actually disbursed was US\$4.19 million. The additional credit of US\$3.35 million, approved in June 2007 similarly appreciated to US\$3.66 million. At closing US\$2.69 million of the additional financing was disbursed and US\$0.88 million was cancelled. The Government of Italy cofinanced the project with a grant of US\$ 0.78 million equivalent, 30% more than planned.

**Borrower Contribution** : Originally Bosnia-Herzegovina planned to contribute US\$0.75 million and at the time of additional financing this was increased by US\$ 1.43 million. By project closing, this was US\$2.27 million or 302% more than planned.

**Dates**: In anticipation of the additional IDA credit, the project closing date was extended 45 months, from February 28, 2007, to November 30, 2010.

#### **3. Relevance of Objectives & Design:**

##### **a. Relevance of Objectives:**

**Substantial** . For Bosnia-Herzegovina, objectives are not only fully consistent with national forestry and environmental management priorities but also helped shape them (ICR p.9). Indirect evidence of relevance to the Government is provided by an ICR statement that Component 3 of the project "would respond to government commitments to leverage the country's unique landscape and biodiversity endowment to expand protected areas and increase opportunities within them" and that "throughout the Project, government ownership and commitment was good" (ICR pp.5,8). However, no specific Government documents are cited in support of these statements .

At project preparation the objectives reflected the strategic objectives of the Country Assistance Strategy and continued to be relevant to the FY08-FY11 Country Partnership Strategy priorities for governance and natural resource management. The Partnership Strategy cites this forest project under its first Pillar dealing with private sector led growth and convergence to Europe . The project is cited again under environmental protection to improve governance, transparency and support tourism (ICR pp.24, 28). Thus, while some evidence is provided to support the relevance of the objectives to the Bank, specific evidence of relevance to Government priorities is lacking .

On the other hand, the ICR makes a strong case regarding the relevance of forest resources to the economy and development of Bosnia-Herzegovina. Following the project Midterm Review (MTR) in December 2005, the project team adopted the Credit Agreement's definition of the objective although the ICR notes that this was not treated as a formal restructuring at the time, since the legal agreements remained valid and the objective as stated in the PAD was unchanged. However, some project activities were "reassessed and refined" (p.3). A *Project Paper* of May 10, 2007 (p.2) obtained Board approval on a non-objection basis for additional financing to meet financing gaps for certain project components but did not seek approval for modification of the objective and instead reiterated the Credit Agreement's formulation.

##### **b. Relevance of Design:**

**Modest**. There was no results framework in the PAD so it is not possible to assess project objectives against it . There is a retrofitted "*Results Framework*" in Annex 2 of the ICR (pp.25-26) but it lacks precision. The framework reveals that at the time of project effectiveness no expectations or targets had been set at the intermediate level for achieving results (e.g. for training). These were added later and further refined after the MTR . The ICR (p.8.) states: "The Project was designed with ambitious indicators and an unclear notion of methodology for monitoring progress, outcomes or impacts". It indicates that by the MTR these deficiencies were recognized, in particular, that the financing and time needed to "complete the consultative and implementation process" were not sufficiently anticipated (pp.6-7). While the first project component was judged to be largely on track, targets for the second component were reduced to: (1) an incremental approach for the Forest Management Information System, including basic computerization and organizational reforms; and (2) completion of the Inventory's first phase, covering some 5-10 percent of the total area. This information would provide lessons and data to develop a plan for the full second phase, which was estimated to cost at least US\$2-3 million. This was more than four times the original estimate of about US \$0.66 million as it was based on other country experience and the mountainous terrain of Bosnia-Herzegovina.

Pursuant to the MTR, the third component was re-focused on site-specific analyses and frameworks for PAs and high conservation value forest areas, which in turn were expected to contribute to the design of the new Forest Management and Protected Areas Project in 2008. The Component was closed 11-30-07 and was not included as a

component financed by the additional IDA resources under the project .

#### **4. Achievement of Objectives (Efficacy):**

Assist with the Borrower in the implementation of reforms in forest organization and management, both at the Entity and canton levels: **Substantial** .

##### Reforms in Forest Organization

Reforms in forest administration were to be implemented and operational in the two Entities . More effort was required in the Federation and its cantonal forest offices since they were starting from a less developed stage than in the Republic Srpska, although training was also provided in the latter Entity . The ICR claims a positive role for the project, noting a new forest law in the Republic Srpska but the need for further work in the Federation . It asserts that the project helped Bosnia-Herzegovina as a whole to develop sustainable forest management certification as a result of:

- advancing the legal and institutional framework needed for good forest management
- creating the capacity to plan and implement transparently
- supporting institutional and regulatory framework reforms, and
- strengthening operational capacity of the different forest agencies

It is fairly clear from different passages in the ICR that forest administration in general was strengthened and that such units as Cantonal Forest Offices and Cantonal Forest Companies were established in the Federation . Considerable training was provided as well as TA for the development of plans and strategies . Unspecified corporate governance improvements and compliance with forest certification were said to be realized . But specific evidence of these achievements is not always cited nor is it always clear to what extent these developments can be attributed to the project.

The ICR does give specific evidence on the achievement of forest management certification, which is seen as one aspect of reform of the legal and institutional framework . In February 2009, Republic Srpska achieved certification for all of its forests, winning international recognition . Several Federation cantonal enterprises had begun the certification process with 55,000 ha certified and an additional 405,000 ha underway. The project team stresses the importance of these achievements, but the ICR does not indicate their significance in the Federation relative to total needs (pp.10-11).

The second part of the reform program calls for separation of the economic and administrative functions in forest management enterprises. The Results Framework reports that the separation of these two functions was completed in both Entities and in the Federation cantons . This is seen as an important step in reducing the opportunity for corruption, thereby improving governance . This achievement is also emphasized by the Task Team .

##### Reforms in Forest Management

Although it took almost eight years (as opposed to the original four) to complete the two activities that were deemed critical to achieving forest management reform, they were largely achieved .

*(1) State Forest Inventory.* This got off to a slow start mainly because of disagreement about the methodology to be used. After agreement was reached and financing for the full inventory was confirmed, the field survey and assessment work were completed by October 2009 (ICR, p.20). Among reported key results are:

- Bosnia-Herzegovina forest cover was 18 percent larger (3.2 million ha) than the previous official estimate of 2.7 million ha.
- Forests were in better condition than previously estimated (550 million cubic meters compared with 350 million cubic meters of standing volume).
- There was a potential total sustainable annual yield of 11 million cubic meters instead of 6 million (ICR p.10).

The inventory methodology also aimed to combine assessment of forest resources with priorities for ecosystem protection. During the second phase of financing, there was some indication that (1) forest resources assessment and (2) priorities for ecosystem protection were integrated . The ICR Data Sheet Results Framework (p.v) indicates that inventory data were being used for strategic and operational planning in forestry sector .

*(2) Forest Management Information System.* Variable capacity was a significant constraint on implementation . The project aimed to develop, introduce and operationalize the system in Republika Srpska and at least 5 Federation Cantons. This task was a particular hurdle in some cantons of the Federation . The second phase, beginning in 2006, aimed to develop a platform for a web-enabled GIS adapted to accommodate the reporting and planning needs of cantonal forest management companies . The ICR concludes that the project succeeded in helping develop well-functioning forest management information systems (pp.21-22). The ICR Data Sheet "Results Framework" (p.iv) indicates that the Republic Srpska and 3 Federation cantonal enterprises have "fully operational business MIS and have initiated use of some GIS applications ." As noted above, no targets are

given in the Framework for this indicator. The project team points out that three of the ten cantons in Federation had few if any forests, and the remaining four are said to be making progress toward establishing an operational MIS.

### 5. Efficiency:

The main text of the ICR says nothing about efficiency except to note that neither the PAD nor the ICR estimate an economic rate of return since "an ERR would be impossible to estimate in the conventional way" (p.11). An Annex 3 is alluded to as providing "a few observations ... on the anticipated project benefits and costs." This annex begins by stating that: "as a technical assistance project, the project did not require a detailed quantitative economic or financial analysis" (p.29). The Task Team argues that ICR guidance supports the decision not to include efficiency analysis. However, the draft Guidelines for Review of ICRs of September 2010 clearly state that efficiency is assessed for "investment-type operations, *including technical assistance loans*, but not development policy operations" (p.22, italics added). The Bank's ICR Guidelines of 2006 indicate that efficiency analysis is required "for IL (investment loans) and GEF only" (p. 24). However, investment loans include TA loans, as cited in the above-mentioned ICR Review Guidelines. Accordingly, the IEG Review will assess and rate efficiency.

Even though it is not possible to refer to an ERR, there are other indicators of the extent to which the resources devoted to this project were proportional to the benefits derived; i.e., the extent to which there was value for money.

A key consideration regarding efficiency in the use of resources is that both the project closing date and the total cost were almost doubled. The interval between approval on 06-10-2003 and planned closing on 02-28-2007 was about 47 months, whereas the actual closing on 11-30-2010 resulted in a total project duration of about 92 months. Total project cost increased from a planned level of US \$ 5.09 million to a final total of \$10.05 million. The discussion on achievement of sub-objectives in Section 4 indicates that even with the near doubling of resources and time, it is not clear that some targets were achieved and in other cases where there was progress (e.g. Inventory and Forest Management Information Systems) targets were not fully achieved in spite of the reduction of some targets.

As noted above, the purpose of the "Economic and Financial Analysis" in ICR Annex 3 was to provide "a few observations...on the anticipated project benefits and costs." This one-page annex lists four findings to demonstrate the cost-effectiveness of the project. But these examples are either prospective, indicating what the PAD expected to be achieved in the future, are solely input-oriented or assertion-based (e.g. asserting that the 100 training programs "have had a substantial and lasting impact on the quality of staff work" (ICR p.29)).

Efficiency is rated as modest with significant shortcomings.

**a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :**

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

\* Refers to percent of total project cost for which ERR/FRR was calculated.

### 6. Outcome:

While relevance of objectives and efficacy of achieving the overall project development objective are rated substantial, relevance of design and efficiency are rated modest.

**a. Outcome Rating :** Moderately Satisfactory

### 7. Rationale for Risk to Development Outcome Rating:

The ICR asserts that "with national-level institutional ownership and support, indications are that project-supported activities will be sustainable (p.13)." It further notes:

- Overall, the project did not create new institutions.
- Participants are "well placed" to continue project activities.
- The project established two PIUs as operational units, which the Government will finance to project closing.
- The Government has planned for post-project funding, especially for the project-initiated Inventory and Forest Management Information System. Several specific examples, mostly from Republic Srpska, are cited to demonstrate the likelihood of sustainability.

These considerations lead the ICR to rate Risk to Development Outcome as Moderate. On the other hand, the

challenges yet to be met in the Federation, including passage of a forest law and lack of operational forest management information systems in 4 relevant cantons, give rise to some political and technical risk. Measures for non-exploitative revenue earning have yet to be put in place.

A new project provided US\$3.4 million in GEF funds for the *Forest and Mountain Protected Areas Project*, a project that basically continues Component 3 of this project that closed on November 30, 2007. The objective of the new project is to "strengthen the institutional and technical capacity for sustainable PA and natural resource management, and expand the Bosnia-Herzegovina network of forest and mountain PAs." Since this project is still active, with a closing date of April 2013, an ICR does not exist and it is not possible to assess how far it mitigated the risks to the outcome of Component 3.

**a. Risk to Development Outcome Rating :** Significant

## **8. Assessment of Bank Performance:**

### **a. Quality at entry:**

The ICR cites a Quality at Entry Assessment by the Bank's Quality Assurance Group that rated technical, financial and economic aspects of the project as highly satisfactory and other dimensions as satisfactory. But the Group's review raised the concern of project sustainability mainly due to uncertain stakeholder acceptability of the policy reforms (ICR p.13). In addition, the final design did not take into account adequately the complex institutional environment of Bosnia-Herzegovina. It also underestimated the resources and time requirements needed to effectively implement in this environment such ambitious undertakings as the State Forest Inventory and the Forest Management Information System. These were significant shortcomings.

**Quality-at-Entry Rating :** Moderately Unsatisfactory

### **b. Quality of supervision:**

Bank supervision was proactive and followed-up assiduously recommendations of the MTR to resolve the several design issues. The ICR (p.14) cites improvement in the M&E framework as an example of this performance. The results framework shown in the Data Sheets of the ICR is certainly an improvement over the framework presented in Annex 1 of the main text, but it continues to have a few shortcomings mentioned in Section 10 below.

**Quality of Supervision Rating :** Satisfactory

**Overall Bank Performance Rating :** Moderately Satisfactory

## **9. Assessment of Borrower Performance:**

### **a. Government Performance:**

The ICR finds the performance of two key partners (the forest ministries in Federation and Republic Srpska that were also responsible for agriculture and water resources) satisfactory based on their commitment to project objectives and support for sector reform consistent with project objectives. It also concludes that the Government honored all of its commitments, increased forestry institution budgets and salaries, resolved project issues in a timely manner and met all fiduciary responsibilities (ICR p.14).

**Government Performance Rating** Satisfactory

### **b. Implementing Agency Performance:**

Implementing Agency Performance was weak before the MTR. Those two years were marked by a steep learning curve for the two PIUs as well as poor communication between them. Early stages of project implementation were affected by weak implementation capacity, a challenging political environment making coordination between the Federation and the Republic Srpska difficult, and an underestimate of cost and time required to complete the constituent activities. Less than two years after project effectiveness, project implementation performance was judged unsatisfactory, and the MTR resulted in action plan agreements between the PIUs and the Bank Task Team to improve performance. These were developed during periodic supervision missions and were "usually" implemented in a timely manner (ICR, p.14). The PIUs became more proactive, funds were reallocated, some targets were reduced and by 2006 project performance was rated as

moderately satisfactory. As reflected in audit reports, project financial management and procurement were adequate throughout implementation.

**Implementing Agency Performance Rating :** Moderately Satisfactory

**Overall Borrower Performance Rating :** Moderately Satisfactory

## 10. M&E Design, Implementation, & Utilization:

### a. M&E Design:

M&E design was focused at the input and output levels which were poorly linked with the results framework. The ICR (p.8) states: "The Project was designed with ambitious indicators and an unclear notion of methodology for monitoring progress, outcomes or impacts." The ICR Project Data Sheet contains a "Results Framework Analysis" that, in contrast to the "Results Framework" in Annex 2, shows original and revised target values as well as "Actual Value Achieved at Completion of Target Years" for the same indicators. As in the Annex framework, there are two sections. But they are clearly labeled: (a) Project Development Outcome Indicators, and (b) Intermediate Outcome Indicators. This framework is more rigorous in its design than the Annex version and shows a logical connection across columns. Moreover, each indicator is tied to a specific sub-component of the project. But there are some weaknesses. The last column of section (a), "Actual Value Achieved," varies across rows in terms of measurability, quantification, comparability and indication of level of results, which are generally stated as qualitative outcomes but in some cases as outputs. For example, number of "completed studies," "training completed," and "new skills being applied" are shown as "outcomes" for indicators 1 and 2 and "number of cantonal enterprises with operational management information systems (MISs)" is given as an "outcome" for indicator 3, but no targets are shown in other columns. Section (b) typically provides quantitative output data for each indicator, but owing to their being organized differently, it is often difficult if not impossible to compare target values with actual achievement values.

### b. M&E Implementation:

The ICR indicates at one point that the three elements of the development objective identified in the PAD were to have been interpreted as results indicators. But it notes that the project team, pursuant to the MTR, "retrofitted" the indicators, in particular by dropping forest revenue as an outcome indicator, since "accurate measurement needed business management capacity, inventory data and information systems that were lacking" (p.9). Instead the economic and financing outcome was assessed on the evidence of improved financial management, business planning and marketing in forest enterprise reports.

### c. M&E Utilization:

The ICR cites reporting as a form of utilization but does not go beyond that. For example: "Project monitoring relied on extensive data collection by the PIU from forest enterprises and other sources, including outputs of project activities, consultant reports, progress reporting and SFI [State Forest Inventory] survey data. Throughout project implementation, a matrix (summarized in Table 1 of Annex 2) of outcomes against indicators was used to report on project progress. The framework is in some respects very qualitative, but this reflects the systemwide changes in thinking and the institutional approach the Project was seeking to catalyze." (ICR p.9).

**M&E Quality Rating :** Modest

## 11. Other Issues

### a. Safeguards:

The PAD (p.22) indicates that an Environmental Assessment (OP 4.01) and a Forestry Safeguard Policy (OP4.36) were triggered by the project. According to the ICR, the triggering of an environmental assessment was seen as only a possibility at the preparation stage, but that "with the emphasis on capacity building, training, and planning and testing new regulatory and institutional instruments" and no civil works construction, the ICR reports that the Project was classified as a Category C investment and, therefore, no Environmental Management Plan was needed or prepared (ICR p.9).

The PAD addressed the Forestry Safeguard Policy as follows :

"The project is consistent with the objectives of the Bank's Forests Policy (OP 4.36), since it will be

strengthen Bosnia-Herzegovina's institutional framework for sustainable forest management .' (p.23)

The ICR provides only a cryptic assessment of compliance with the Forestry Safeguard Policy, but it is generally consistent with the interpretation of the PAD. "The Project, however, was intended to strengthen Bosnia-Herzegovina's institutional framework and to promote sustainable forest management, and hence project activities were compliant with anticipated OP revisions ." (ICR p.9)

**b. Fiduciary Compliance:**

The ICR gives a positive assessment of fiduciary compliance .

- "In general, project financial management was aligned with Development Credit Agreement provisions, and project procurement complied with relevant procedures with minor exceptions . All procurement post-reviews were at least moderately satisfactory or better" (ICR, p.9).
- "All audit opinions on all project financial statements were unmodified with management letters containing minor observations about government or IDA funds over or underspending . All such deficiencies were followed up regularly, reconciled and refunded to the appropriate project bank accounts . The project financial management arrangements were rated satisfactory ." (ICR p.9).

**c. Unintended Impacts (positive or negative):**

The ICR cites five positive unintended impacts . The following two seem to be the most convincing :

- Project design was intended to improve forest sector governance, but the change in its international image was unanticipated. Over the project lifetime, the forest sector's image in Bosnia -Herzegovina is reported to have improved dramatically. Republic Srpska Sume transformed its negative perception to win awards, invitations to international conferences and commendation as a model for corporate governance .
- Another unintended benefit was the Federation's initiation of corporate governance training with its own funding, requiring directors and board members of all public enterprises to be certified in OECD corporate governance principles. In 2010, the program trained about 200 people. (ICR p.12).

**d. Other:**

<b>12. Ratings :</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Risk to Development Outcome:</b>	Moderate	Significant	Policy reforms were an important element of this project. A Forest Law was still under development in Federation at the time of the ICR .
<b>Bank Performance :</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Borrower Performance :</b>	Satisfactory	Moderately Satisfactory	Government performance was rated Satisfactory. Weak implementing agencies' pre-MTR performance resulted in a Moderately Satisfactory rating. In this case, the Harmonized Criteria states that the overall borrower performance is determined by the rating of project outcome. Thus overall Borrower performance is rated Moderately Satisfactory.
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

**13. Lessons:**

The ICR presented seven "Lessons Learned" (pp.14-15) Three of these lessons are selected for their wider implications for forestry and natural environment projects .

1. Timely and efficient implementation in a complex institutional and political environment is likely to require a longer preparation time.
2. A complex undertaking such as developing an operational forest management and information system should be gradual and on a platform that allows for future upgrades .
3. Effective conduct of a national forest inventory should be preceded by workshops to highlight the methodology used and its value .

**14. Assessment Recommended?**  Yes  No

**Why?** The project constituted a significant effort in a country where forests are still one of the main natural and economic resources, but where capacity, governance, and political issues remain daunting . It would be important to assess the sustainability of this effort as well as the effectiveness of the closely related Forest and Mountain Protected Areas Project, which is due to close in 2013.

**15. Comments on Quality of ICR:**

Portions of this ICR are well-written and it is reasonably complete . It is especially good at explaining the institutional context and the constraints and challenges faced by the project . But there are some gaps and internal inconsistencies . Just what was accomplished pre-and-post MTR was not always clear . There was a lack of compliance with ICR Guidelines regarding ratings of relevance and of efficiency . Other weaknesses included reporting inputs and outputs instead of outcomes .

**a. Quality of ICR Rating :** Satisfactory