Administration Agreement between the Austrian Development Agency and the International Bank for Reconstruction and Development and the International Development Association concerning the ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia Single-Donor
Trust Fund No. TF072124

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”) acknowledge that the Austrian Development Agency (“ADA” or the “Donor”, and together with the Bank, the “Parties” and each a “Party”) agrees to provide the sum of Euros 1,600,000 (one million six hundred thousand) (the “Contribution”) for the ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia Single-Donor Trust Fund, No. TF072124 (the “Trust Fund”) in accordance with the terms of this Administration Agreement.

2. The Contribution shall be used to finance the activities set forth in the “ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia Trust Fund Description” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “Standard Provisions” attached hereto as Annex 2 and “Governance” attached hereto as Annex 3.

3. The Donor shall deposit the Contribution promptly following countersignature in the full amount and currency (“Contribution Currency”) specified in Section 1 above into such bank account designated by the Bank upon submission of a payment request by the Bank such deposit being an “Installment”).

4. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF072124 (the ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia Single-Donor Trust Fund), and the date of the deposit (the “Deposit Instructions”). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

5. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Agreement shall be in writing and delivered by mail, fax or e-mail to the respective Party’s address specified below or at such other address as such Party notifies in writing to the other Party from time to time:

For the Bank (the “Bank Contact”):

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Nina Rinnerberger (Climate Change Specialist)
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For the Donor (the “Donor Contact”):

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E-mail: johannes.binder@ada.gv.at

6. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

7. All annexes hereto constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor.

8. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]  
Name: HENRY KERALI  
Title: Country Director  
Date: 28 Nov 2013

AUSTRIAN DEVELOPMENT AGENCY

By: [Signature]  
Name: Johannes Binder  
Title: Country Director  
Date: 5 Jan 2013
ENPI East Countries FLEGII: Complementary Measures for Georgia and Armenia

Trust Fund Description

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. Objectives

The objectives of the Trust Fund are to support Georgia and Armenia in strengthening forest governance through improving implementation of relevant international processes, enhancing their forest policy, legislation and institutional arrangements, and developing, testing and evaluating sustainable forest management models at the local level on a pilot basis for future replication.

2. Activities

The Trust Fund will support Georgia and Armenia in designing activities that complement their existing portfolios of forestry projects, including activities already developed under the EC-funded FLEG II Trust Fund.

The following is an indicative list of activities to be funded by the Trust Fund, divided by “Bank-executed” activities and “Recipient-executed activities”.

2.1 Bank-executed activities, for which the Bank has implementation responsibility:

(a) Trust Fund Administration;
(b) Program Management;
(c) Technical Assistance;
(d) Analytical and Advisory Services; and
(e) Supervision: The Trust Fund will finance supervision activities for an amount up to 12.5% of the total Contribution.

2.2 Recipient-executed activities, for which one or more Recipients (as defined in Annex 2) have implementation responsibility:

(a) Grant agreement with the International Union for Conservation of Nature and Natural Resources (IUCN);
(b) Grant agreement with the World Wide Fund for Nature (WWF); and
(c) Support for the development of policy and legislation through:
   - Technical support;
   - Participatory processes;
   - Strategic Environmental and Social Assessment Framework (SESAF);
   - Capacity building and Training;
   - Forest Inventory Support;
   - Forestry Case Studies;
   - Pilot Activities for sustainable forest management;
   - Environmental Management Plan;
- Public Awareness and dissemination of results; and
- Communication and outreach activities.

More details on the proposed Project to be financed by this Trust Fund (its background, goals and objectives, activities to be implemented, coordination with other donors, beneficiaries, etc.) can be found in Attachment A “Project Description”.

The final selection of the specific activities to be implemented in each country will be determined by the Steering Committee after the inception phase, and upon coordination between the Bank, the Donor, IUCN, WWF, and the participating countries.

3. Eligible Expenditures

3.1 For Bank-executed activities, the Trust Fund funds may be used to finance:

(a) Associated Overheads;
(b) Consultant Fees Individuals and Firms;
(c) Contractual Services;
(d) Extended Term Consultants;
(e) Media, Workshop, Conference and Meeting;
(f) Staff Costs - with Indirect Costs;
(g) Temporary Support staff costs; and
(h) Travel Expenses.

3.2 For Recipient-executed activities, the Trust Fund funds may be used to finance:

(a) Consulting;
(b) Goods;
(c) Operating Costs; and
(d) Training.

4. Taxes

4.1 The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures.
ANNEX 2

Standard Provisions

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor, it being understood that any plural references in the annexes to Donors, Administration Agreements, Contributions and pro rata shares shall be read as singular references to the Donor, its Administration Agreement, its Contributions thereunder and the remaining uncommitted balance of the Trust Fund, respectively.

1. Administration of the Contributions

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the Charter of the United Nations. The Donors acknowledge that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to a Donor.

2. Management of the Contributions

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is United States Dollars (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.
2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall transfer all income from such investment to the Donor’s applicable donor balance account with the Bank.

3. Trust Fund Fees and Costs

3.1 The Bank shall deduct and retain for its own account, as a deduction from each Installment, an amount equal to two percent (2%) per Installment as an administrative fee for the Trust Fund.

3.2 In addition, costs incurred by the Bank for other expenses, such as for program management and Trust Fund administration, that are (i) not covered by the percentage deduction specified above as an administrative fee and (ii) not included under Annex 1 of the Administration Agreements in accordance with the Bank’s applicable policies and procedures shall be charged to the Trust Fund on an actual basis up to a maximum of four point ninety one percent (4.91%) of the total Contributions under all Administration Agreements.

3.3 The Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contribution. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendment made to the Administration Agreement and which would thereafter be applicable to all new Contributions that are provided as amendments to supplement the existing Administration Agreement.

4. Accounting and Financial Reporting

4.1 The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

4.2 The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

4.3 The Bank shall provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

4.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be borne by the requesting Donor.
4.5 The Bank shall make available to the Donor copies of all financial statements and auditors’ reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank’s Access to Information Policy.

5. Progress Reporting

5.1 The Bank shall provide the Donors with annual reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

5.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank’s applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

6. Disbursement; Cancellation; Refund

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by June 30, 2017 (the “End Disbursement Date”). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to the Donor) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreement. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to the Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by the Donor, all calculated as Holding Currency amounts.

6.2 The Donor may cancel all or part of such Donor’s share, and the Bank may cancel all or any Donors’ shares, upon three (3) months’ prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the Donor its share in the Holding Currency as specified in the Administration Agreement; unless otherwise agreed between the Bank and the Donor.

7. Disclosure; Dispute Resolution

7.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank’s Policy on Access to Information. By entering into Administration Agreements, the Donors consent to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.
8. **Grants to Recipients**

8.1 The Bank shall, as administrator of the Trust Fund on behalf of the Donor, enter into one or more grant agreements (the "Grant Agreements") with recipients (the "Recipients") consistent with the purposes of this Administration Agreement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donor.

8.2 The Bank shall be responsible for the supervision of the activities financed under any Grant Agreements. Subject to the consent of any relevant Recipients, representatives of the Donor may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

8.3 The Bank shall promptly inform the Donor of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank shall afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.
ANNEX 3

Governance

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. **Steering Committee:**

The Steering Committee, comprising representatives from FLEG National Focal Points from each participating country (Georgia and Armenia) one representative from the Donor (ADA), and one representative from each implementing entities (the Bank, IUCN, and WWF), will be established to support the FLEG II-Armenia/Georgia TF. Each party will select its respective members. The co-chairs of the Steering Committee for this TF will be the Bank and the Donor.

The Steering Committee will have, among others, the following functions:

(a) Provide guidance on the overall strategic direction, priorities, and rules of engagement for FLEG II-Armenia/Georgia TF;
(b) Approve country work plans prepared by the Program Coordination Teams and reviewed by the Program Management Team;
(b) Regularly monitor the performance of the components of the TF and guide efforts to address constraints to performance;
(c) Review progress reports of current activities and plan future activities advising on their implementation; and
(d) Promote cross-cutting coordination and communication across the components of the overall FLEG Program.

2. **National Program Advisory Committee (NPAC)**

2.1 The NPAC is an advisory and coordination body in each country consisting of representatives of key stakeholder groups. It is chaired by the National FLEG focal point in each participating country. This group will support the Trust Fund in an advisory capacity.

3. **Program Coordination Teams**

3.1. The Program Coordination Teams consist of representatives from the World Bank, IUCN, and WWF. These teams were created within the FLEG Program to facilitate, harmonize, and align among activities funded by different donors and implemented by various development partners, to avoid duplication of efforts and promote consistency and efficiency in the implementation of development activities in the region.

4. **Bank's Program Management Team**

4.1 The Bank will provide a team to administer the Trust Fund. The administration of the TF will include oversight of the TF program and the coordination with the Steering Committee. The Bank team will be supported by Bank staff and will also coordinate with the Donor and implementing partners involved in
the implementation of the components of the FLEG II Armenia/Georgia program. The Bank team will make decisions on allocation of funds under this Trust Fund and provide quality assurance. This team will also provide "secretariat functions" for meetings of the different governance bodies.
**Project Description: Details to Annex I on Complementary Measures for Georgia and Armenia**

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

**Summary**

In 2007, the World Bank teamed up with the European Union, the International Union for the Conservation of Nature (IUCN) and the Worldwide Fund for Nature (WWF) to support Georgia, Armenia, and other ENPI East countries in their efforts to improve forest law, enforcement and governance (FLEG). The EU financed the first FLEG Program in the ENPI East + Russia region from 2008 to 2012. The Government of Austria provided additional financing of 0.3 million EUR to the Program in 2011. A follow-on FLEG II Program was launched in 2012 with 9 million EUR grant financing from the European Commission. The ADA Trust Fund ("Project") is sought to finance complementary measures in Georgia and Armenia and supplement resources available from the EC FLEG II Program.

The overall objectives of the ADA Project are to support Georgia and Armenia in strengthening forest governance through improving implementation of relevant international processes, enhancing their forest policy, legislation and institutional arrangements, and developing, testing and evaluating sustainable forest management models at the local level on a pilot basis for future replication. Through promoting sustainable forest governance, management, and protection of forests in the participating countries, the Project will help ensure the contribution of the country’s forests to climate change adaptation and mitigation, to ecosystems and biodiversity protection, and to sustainable livelihoods and income sources for local populations and national economies. The St. Petersburg Declaration on Forest Law Enforcement and Governance in Europe and North Asia, endorsed by 44 governments and the European Commission in 2005, articulates governments’ commitments to these objectives.

The three specific Project objectives are:

i. implementation of the 2005 St. Petersburg FLEG Ministerial Declaration and ensuring continuation of the process launched in 2005 (regional level);

ii. formulation and implementation of sustainable forest sector policies, including legal and administrative reforms for sustainable forest management and protection (national level); and

iii. demonstration of best sustainable forest management practices in targeted areas for further replication (sub-national level).

**Background**

The Europe and Central Asia (ECA) region accounts for around 22% of the world's forests and stores more than 39 (thirty nine) billion tons of carbon. The forestry sector contributes on average between

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1 Throughout this document, 'Project' refers to the proposed Complementary Measures for Georgia and Armenia while 'Program' refers to the EC-funded Forest Law, Enforcement and Governance (FLEG II) Program.

2 The St. Petersburg Declaration, adopted at the November 2005 Ministerial Conference on Forest Law Enforcement and Governance (FLEG) in Europe and North Asia (ENA), is an expression of commitment by 44 governments from the ENA region and other participating countries to take action to address illegal logging and associated forest crimes. The participating governments also identified an Indicative List of Actions for the implementation of the Declaration, which are included as an annex to the Declaration.
1.1 to 1.5 percent of GDP and, if sustainably managed, the sector could potentially employ an additional 3 million workers and double its contribution to GDP. Forest in both Georgia and Armenia cover around 30,000 km² of forest. Unlike other parts of the world, forests in the ECA region have been expanding steadily (1.6% over the last twenty years), and the potential for additional growth (both in terms of forest area and volume per hectare) is substantial. However, there are still problems associated with: (i) poor governance; (ii) the need to create the right enabling environment through appropriate forest institutions that supervise and deliver sound policy and legislation; and (iii) support for transitioning to market economies in the forest sector.

Both countries' development priorities align well with the Project. Georgia's strategic vision for development includes rural development for employment generation and poverty reduction; strengthened partnership with the EU in the environmental field; continued involvement in administering the FLEG Program to provide advice and assistance in forest management. The proposed Project interventions for Georgia coincide with major policy and institutional reforms in the forest sector, and have a unique chance to contribute to the implementation of the National Forest Program for Georgia, led by the Ministry of Environment and Natural Resources Protection (MENRP). Assisting Georgia with refining its National Forest Policy is one of the key objectives of the Project. The MENRP presented the policy statement for stakeholder consideration in September 2013.

Armenia's national priorities involve deepening relations with the EU and its member states while continuing to maintain strong links with other traditional bilateral partners; improved emphasis on preparedness for natural disasters and climate change adaptation; fighting corruption; and reducing rural and environmental risks. Armenia's forest policy strategy was developed by the respective Ministries of the Republic of Armenia and approved on September 30, 2004 by the Government (for 15 years, until 2019), covering climate change, rural development, landscape and gender issues. A number of environmental NGOs have been discussing and suggesting restructuring the forestry sector responsible authority “Hayantar” (Armforest), which has the status of State non-commercial organization (SNCO), with limited authorities but a wide range of responsibilities. The discussed changes concern institutional and legal framework of the respective authority which will need to be agreed and coordinated with the government.

The Project will help the partner countries to achieve these goals in close alignment with the EC FLEG II Program, which is being implemented in 7 countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine and the Russian Federation).

**Consistency with the objectives of the Austrian Development Cooperation**
The proposed Project directly responds to the main focal areas of ADC's mandate and is fully consistent with the objectives of ADC country strategies for Georgia and Armenia, which aim rural development, agriculture, forestry and good governance.

**Target group, beneficiaries and local Project partners**
Key stakeholders of the Project in both countries include: the State forest agencies; environment and agriculture ministries; protected areas agencies; forest and environmental academia and training/education institutions; State and private forest-related and wood processing industry, other forest-related industries (e.g. hunting, tourism and recreation, financial sector, trading houses, construction sector); local forest communities in pilot areas; rural households, forest dependent communities, and urban dwellers; media; regional, national and sub-national civil society.

State agencies in both countries are conscious of the need to enhance their institutional capacity for forest management in order to sustain their forestry sectors, to help eradicate persistent illegal
practices, and to meet rural household demand for firewood, construction material, and non-timber forest resources. Representatives of the relevant state agencies are already actively participating in the EC FLEG II Program that targets these issues. New activities will build on the results of previous FLEG work, analysis of stakeholders and main challenges, as well as the ambition of the countries to tackle these challenges. Environmental NGOs are keen to cooperate under this Project towards increasing public awareness, and highlighting multiple types of benefits from forest resources. Representatives of academic circles are eager to use opportunities coming from the implementation of the Project activities for applying scientific knowledge to the acute national needs in forest inventory, management planning, forest regeneration, pest management, and other similar areas.

Despite intensive growth of natural gas supply coverage in Georgia and Armenia, a good part of population in both countries continues to use firewood. The financial crisis (which has led to decreasing remittances) and increasing gas prices means that rural households will increasingly revert to the use of firewood. Finding legal and affordable ways for rural communities to access sustainably locally obtained wood for fuel and construction would have a significant social impact, especially on the poor, female members of rural households, and the disadvantaged. Throughout implementation, the Project will aim to include these groups of beneficiaries.

**Analysis of local potentials**

The Project interventions will contribute to protecting the environment and particularly forests in the Georgia and Armenia. Forests comprise a larger area in Georgia than in Armenia, however, in both countries forest cover has suffered from unsustainable timber extraction for almost two decades, causing deforestation as well as deterioration of the quality of forest cover. Further degradation of forest ecosystems would lead to loss of biodiversity and habitats, disruption in water balance, deterioration of recreational and aesthetic value of forested areas, soil erosion and a potential increase in the occurrence and severity of floods, landslides and avalanches. The Project will aim to provide legal and institutional support; help enable forest-related communities in Georgia and Armenia to adequately value the different benefits and services associated with forests; and manage forests sustainably while maximizing economic benefits and maintaining the environmental balance of these fragile ecosystems.

**Harmonization and Alignment**

The Trust Fund resources will be used to facilitate development of an integrated implementation plan so as to maximize complementarities with similar initiatives and so as to avoid any duplication of effort. This will include donor coordination, in particular with ÖBf, GIZ, and other development partners, as appropriate. Substantial coordinated external support increases the opportunity to achieve tangible results.

The ADA Project will utilize the same Program Coordination Teams (consisting of representatives from the World Bank, IUCN and WWF) as under the EC FLEG II Program to facilitate harmonization and alignment. The Program Coordination Teams will aim to facilitate cooperation with the EU Delegations and other development partners.

Various development partners are supporting or have expressed interest to support the implementation of sustainable forest management in general and the FLEG process specifically, including the EU, the Governments of Germany, Austria, France, Finland, Norway, a number of multi-lateral partners such as UNDP and UNEP and international NGOs (e.g. WWF and IUCN). Austria and Germany responded quickly to some immediate needs and stand ready to continue supporting the development of a systematic and strategic process to reform the forest sector.
The MENRP in Georgia acknowledges the role of donors and the international community in the forest sector development process. To ensure the transparency and coordination with various stakeholders, the Ministry developed a Donor Coordination Matrix and asked all key players to provide relevant information, such as: intervention areas, type of assistance (financial support, long-term advisory support, short-term advisor support, expert study, training, study tours, workshop/conference), time frame, budget provided for a project/program in the specific intervention area, status of a project/program, and implementation partners.

Furthermore, to facilitate full stakeholder participation, and to coordinate external support to the forest policy formulation and to the on-going sectoral reforms, the MENRP established six thematic groups\(^3\) comprised of experts from governmental institutions, academia, NGOs, church, and donor-supported projects. Meetings of the thematic groups are convenient forums for multiple stakeholders and assisting donor organizations for day-to-day coordination of the specific initiatives in various fields of activity.

**Intervention logic**

The ADA funded Project will supplement activities under the EC-funded FLEG II Program in Georgia and Armenia. Therefore, the development objectives, main goals, and expected outcomes of the Program have been aligned, as much as possible, with those of the EC-funded Program. To ensure activities carried out under each of the Programs are complementary, the ADA-supported activities will build on the existing Program documentation (including the Country Work Programs (CWPs) for Georgia and Armenia). The design of the ADA Project activities for Georgia and Armenia will be based on a detailed analysis of the CWPs of both countries to determine and identify financing gaps and additional, unmet needs in the countries. The CWPs will identify the specific activities to be implemented, demonstrate how these activities will address the Program Development Objectives, the time frame for implementation and costs at the activity level. Final approval of the CWP will be a function of the Steering Committee. Available information on programs and projects funded in the forestry sector by various multilateral and bilateral institutions in Georgia and Armenia will be reviewed carefully, to avoid duplication of efforts and to increase potential of synergy. The Project will aim to deepen the results of the FLEG I and FLEG II Programs.

The Project will assist Georgia and Armenia to:

- make progress towards the region-wide objectives agreed to in the 2005 St. Petersburg Declaration;
- regularly monitor this progress;
- incorporate the private sector (forest industry, timber trade, wood processing, tourism) in forest governance solutions;
- strengthen policies and law enforcement capacity to manage forests sustainably;
- strengthen awareness and capacity of civil society to address forest governance challenges; and
- implement additional pilot projects, trainings, seminars, and publications at the sub-national level to demonstrate best practices in law enforcement and forest governance in Georgia and Armenia.

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\(^3\)These thematic groups are: (1) Forest restoration and protection, (2) Economic valuation of forests, (3) Human capacity development, (4) Legislation and institutional reform, (5) Forest monitoring and information systems, (6) National sustainable forest management standards.
Activities

The Program activities will be implemented over three years, between December 2013 and December 2016 (with the end of disbursement date being June 30, 2017), and will undertake tasks included under the following broad topics:

- Support for the development of Policy and Legislation through-
  - Technical support;
  - Participatory processes; and
  - Strategic Environmental and Social Assessment Framework (SESAF)

- Capacity building and training;
- Forest inventory support;
- Forestry case studies;
- Pilot activities for sustainable forest management, including development of environmental management plans; and
- Public awareness and dissemination of results.

In addition, the Trust Fund will also finance activities performed by the Bank such as Trust Fund administration and program management, technical assistance, and supervision.

The ADA supported activities will be fully elaborated during the inception phase when full country work plans (CWPs) and a logframe will be prepared and provided to ADA as part of an inception report. The inception phase will, through participation and involvement of the relevant government and non-government stakeholders aim to increase country ownership.

Organizational structure

The program will be implemented by the World Bank in partnership with IUCN and WWF. This partnership is considered to be well placed for three reasons:

i) it managed the first FLEG Program and is now implementing the FLEG II Program;
ii) it has a broad relevant portfolio in the partner countries; and
ii) the participating organizations have relevant sector expertise.

Both countries have designated National Focal Points for liaison with the World Bank, IUCN and WWF. In addition, both countries have existing National Program Advisory Committees, comprising representatives of the thematic State agencies, NGOs, and private sector. More details on governance are provided in Annex 3 of the Administration Agreement.

Accompanying measures

In addition to the technical focus of the Project, broad stakeholder participation and public awareness will be undertaken to help increase understanding, build consensus and help start the process of behavior change. Information on the Project achievements and its outputs will be made publicly available by the Donor and the Bank in accordance with their respective disclosure policies.

The Project will also seek to foster cooperation between Georgia and Armenia in the field of forest management by supporting experience-sharing, joint training events, and other activities that enhance horizontal links at both – the managerial and technical levels.
Monitoring and Reporting

A results framework has been developed for the EC FLEG II Program, which will guide the development of a logframe for this Project, which will be made available by the end of the inception phase. Reporting will be done in line with the Administration Agreement between the World Bank and ADA.

Sustainability issues

While the Project does not involve support for identification or preparation of investments that would have direct environmental or social impacts, the forest policies/laws, national forestry programs, and plans to be developed might have a wide range of environmental and social impacts, both positive and negative. A Strategic Environmental and Social Impact Assessment Framework (SESAF) was developed for the purposes of implementing the EC FLEG II Program and will be fully applied to the ADA Project.

The SESAF: (1) identifies the types of environmental and social issues that are likely to be associated with the policy documents supported by the Project and (2) provides guidance on how these aspects should be integrated into the analytical and decision-making processes, including guidelines for strong and effective stakeholder participation. The overall SESAF objective is that all policy documents that are supported under this Project will be environmentally and socially sound and sustainable, consistent with the World Bank safeguard policies. Socio-cultural aspects as well as gender are covered as part of the SESAF. The SESAF is a freestanding document that has been disclosed within Georgia and Armenia and is available in the World Bank Infoshop.

Development of institutional and management capacities

The MENRP of Georgia was re-established recently and the National Forest Agency (NFA) was created about a year ago. Therefore much of the technical assistance, to be provided through FLEG II Program and its complementary measures under the ADA Trust Fund, will be aimed at capacity building within these institutions. Particular emphasis will be made on fostering technical and managerial skills within NFA and its regional branches. Efforts will be made to coordinate with the Caucasus office of GIZ, which provides bilateral support to human capacity development towards sustainable forest management in Georgia with the financing from ADA. GIZ aid aims to develop and improve professional and social competencies in the field of forest management and targets the NFA as well as the forest practitioners that tend forest operation on the ground.

The Project will also aim to provide institutional strengthening and capacity building to the forest institutions in Armenia ("Hayantar" SNCO that manages the state's forest resources, and the Ministry of Agriculture) for developing forest policy and legislation.

Economic viability

Like the ENPI EC FLEG II Program, the complementary measures proposed for Georgia and Armenia comprise diverse technical assistance activities that will be determined during the inception phase. Therefore, traditional economic and financial analysis methods are not applicable to assess the economic viability of the Project. The Project will have a number of economic impacts that can be described qualitatively, and all of which lead to increased sustainability of forest management by:

- addressing weaknesses in forest policy and legislation and through providing technical assistance/capacity building, the program will reduce the perverse incentives that create or encourage illegal and unrecorded removals and encourage better management and monitoring. This will lead to a reduction in the unsustainable harvest and increases in the sustainable harvest:
- implementing sustainable pilot activities in selected communities will help raise income from environmentally and socially sustainable income, thereby reducing the dependency on illegal and unregulated off-take from the forest; and
- raising public awareness and education levels will help modify behavior and reduce the social acceptability of illegal forest activities over time.

Increasing the sustainability of forest management and improving the management of the sector is assumed to have a number of economic benefits:

- the fees derived from sustainable forest use will increase;
- the level of sustainable production will increase, including in areas that are currently under-managed;
- the environmental damage associated with unregulated removal will decrease, thereby reducing erosion and contributions towards siltation and damage to downstream infrastructure;
- production of Non Timber Forest Products will similarly be increased and sustained
- tourism, recreation, and biodiversity conservation will be increased; and
- the forests' capacity to sequester carbon will be increased.

### Indicative Budget

<table>
<thead>
<tr>
<th>Activity</th>
<th>USD</th>
<th>Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for the development of Policy and Legislation</td>
<td>240,162</td>
<td>177,898</td>
</tr>
<tr>
<td>Technical support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participatory processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Environmental and Social Assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Building and Training</td>
<td>310,688</td>
<td>230,139</td>
</tr>
<tr>
<td>Forest Inventory Support</td>
<td>310,688</td>
<td>230,139</td>
</tr>
<tr>
<td>Forestry Case Studies</td>
<td>310,688</td>
<td>230,139</td>
</tr>
<tr>
<td>Pilot Activities for sustainable forest management</td>
<td>310,688</td>
<td>230,139</td>
</tr>
<tr>
<td>Environmental Management Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public awareness and dissemination of results</td>
<td>310,688</td>
<td>230,139</td>
</tr>
<tr>
<td>subtotal</td>
<td><strong>1,793,602</strong></td>
<td><strong>1,328,594</strong></td>
</tr>
<tr>
<td>NPAC and SC meetings</td>
<td>53,200</td>
<td>39,407</td>
</tr>
<tr>
<td>Project management + TF Administration + Supervision</td>
<td>270,000</td>
<td>200,000</td>
</tr>
<tr>
<td>subtotal</td>
<td><strong>2,116,802</strong></td>
<td><strong>1,568,001</strong></td>
</tr>
<tr>
<td>Central Administration fees (2% of total financing)</td>
<td>43,200</td>
<td>32,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,160,002</strong></td>
<td><strong>1,600,000</strong></td>
</tr>
</tbody>
</table>

Exchange rate: 1.35 USD:EUR

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It is understood and agreed that the final activities and amounts will be determined after completion of the inception phase.