Amended and Restated Supplemental Letter No. 2

REPUBLIC OF KAZAKHSTAN

May 5, 2014

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. 4808 KZ and GEF Trust Fund Grant Number TF055731
(Forest Protection and Reforestation Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

Referring to the provisions of Schedule 5, paragraph 10(a) of the Loan Agreement and paragraph 12(a) of Schedule 4 to the Global Environment Facility Trust Fund Grant Agreement (Forest Protection and Reforestation Project) dated November 6, 2006 between the Republic of Kazakhstan (the Borrower) and the International Bank for Reconstruction and Development (the Bank), the Borrower hereby confirms to the Bank that, from this date onwards, the indicators set forth in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievements of the objectives thereof.

This Amended and Restated Supplemental Letter No. 2 replaces Supplemental Letter No. 2, dated November 6, 2006.

Very truly yours,

REPUBLIC OF KAZAKHSTAN

By:
Authorized Representative

Attachment
Republic of Kazakhstan
Forest Protection and Reforestation Project
Performance Monitoring Indicators

<table>
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<tr>
<th>Vision 2025</th>
<th>Outcome indicators 2025</th>
<th>Use of outcome information</th>
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| Forest lands and associated rangelands rehabilitated and well managed | Land degradation (specifically, deterioration or lack of trees or other vegetative cover) prevented, reduced, or ameliorated in:
- Irtysh pine forests: 180,000 ha burned or deforested area replanted and 650,000 ha good condition
- Dry Aral Seabed: 800,000 ha covered with vegetation (through planning and natural spread)
- Effective interventions underway to maintain public saxaul rangelands in good condition
- Organizational and procedural arrangements facilitating sustainable and cost-effective results applied to the management other forest lands and other public expenditure investment programs | Set project outcomes in context of long-term vision |

Project Development Objective | Outcome Indicators (End of Project) | Use of outcome information |
|-----------------------------|------------------------------------|---------------------------|
| Development and initiation of cost effective and sustainable ways of environmental rehabilitation and management of forest lands and associated rangelands, with a focus on the Irtysh pine forest, dry Aral Seabed, and... | Land degradation (specifically deterioration or lack of tree or other vegetative cover) prevented, reduced, or ameliorated in:
- Irtysh pine forest including 41,000 ha rehabilitated forest and reversal of fire degradation trends | Gauge
- Scale of coverage and extent of changes in land degradation and associated environmental and economic impacts, in relationship to overall magnitude of land degradation problem and in... |

1 The 2025 vision is indicative only and does not represent a formal view of the Government. It will be further considered and refined under the policy subcomponent of the Project.
<table>
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<tr>
<th>saxaul rangelands</th>
<th>comparison to projections of what would happen in absence of project;</th>
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<tbody>
<tr>
<td>on 650,000 ha</td>
<td>* Realism of projections and adjust project design or expectations if necessary;</td>
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<td></td>
<td>* Success of new incentive frameworks which will help prevent future degradation and thus make mitigation worthwhile and inform decision-making on future public investment programs in project areas</td>
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<td>Dry Aral Seabed: more than 61,000 ha of current total 2.2 mln. ha dry seabed area covered by vegetation (from pre-project coverage, project planting, and natural spread)</td>
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<td>* 168,000 ha of saxaul and adjoining rangelands with sustainable resource-led grazing management</td>
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Capacity and decision to upscale investment programs for forest lands based on improved knowledge of performance, costs, and impacts as demonstrated by

- Decisions to scale up Irtysh pine reforestation program
- Decisions to scale up vegetative planting of dry Aral seabed, and
- Replication of saxaul rangeland restoration program with own funds

Application of lessons learned from competitive grant subprojects and reflected in replication plan

Gauge success of new operational arrangements and analytic capacities which promote ongoing research and learning culture, responsive adaptation, and improved accountability

Number of people employed under the project, or otherwise benefited as a result of the project

- Irtysh pine: 3,000 employed
- Dry Aral Seabed: 2,000 employed
- Saxaul rangelands: 1,500 employed

Gauge magnitude of social and poverty impacts of project

Improved knowledge of modern planting and fire management technologies and of natural resource dynamics and management, as well as capacity of cost effective and results oriented public expenditure on forest lands

Gauge extent of institutional impact

Project reputation for integrity and public support for improved forest and associated rangeland management as reflected in public opinion surveys

Gauge reputation for integrity and effectiveness
<table>
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<tr>
<th>Intermediate Results</th>
<th>Results Indicators for Each Component</th>
<th>Use of Results Monitoring</th>
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<tr>
<td>Component IA: Irtysh pine forest: Improved reforestation through re-establishment of seed production areas to ensure quality, applied research on cost effective nursery and planting technologies (e.g. greenhouses, containers, seeding), and expansion of program to enable completion of reforestation of 180,000 ha by 2025.</td>
<td>Component IA: 41,000 ha replanted during project period, and by year 6 unit costs of replanting reduced from US$ 240 per ha to less than US$190 per ha with survival rate increased from 30% to 55%</td>
<td>Component IA: Year 1 – Year 6: Low Year 1 – Year 6: Low levels may flag constraints in fund flow, methodologies, or unrealistic expectations</td>
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<td>Component IB: Irtysh pine forest: Development and implementation of improved forest fire management through improved fire prevention, improved fire detection, fire suppression to reverse long-term trends in degradation of forest lands from fire.</td>
<td>Component IB: 650,000 ha under improved fire management comprising: (i) effective fire breaks and fuel reduced buffer zones accompanied by public education campaigns, (ii) more effective fire detection information system with obsolete towers replaced and new towers where needed, (iii) improved fire suppression capability through better equipment, fast-attach vehicles, replacement of obsolete fire trucks and improvement of key forest roads; and (iv) annual program of thinning and cleaning where necessary, integrated pest management support provided</td>
<td>Component IB: Year 1 – Year 6: Low levels may flag constraints in fund flow, methodologies, or unrealistic expectations</td>
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<td>Component IC: Irtysh pine forest: Forest Partnership development</td>
<td>Component IC: PFM framework designed and reflected in operational manual and then under implementation, initially in 4 villages and then in 12 villages</td>
<td>Component IC: Year 1 – Year 6: Low levels may flag constraints in fund flow, methodologies, or unrealistic expectations</td>
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<td>Component II A: Dry Aral Seabed: Vegetative planting: Increased afforestation through upgraded facilities, improved contracting arrangements, applied research on improved planting methods, expansion of program to achieve planting rates of at least 31,000 ha per year by 2011.</td>
<td>Component II A: 52,000 ha planted and 9,000 ha direct seeded during project period, with year 6 unit costs reduced from US$207 to less than US$175 per ha with survival rate no less than 25% and using revised arrangements for flexible, performance based budgeting and contracting</td>
<td>Component II A: Year 1 – Year 6: Low levels may flag constraints in fund flow, methodologies, or unrealistic expectations</td>
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<td>Component II B: Participatory saxaul rangelands rehabilitation: Herder agreements to enable restoration of degraded saxaul rangelands, and provision of water resources for compensatory rangelands</td>
<td>Component II B: 20 demonstrations covering a total of approximately 4,000 ha covered by planting with seedlings and seeds with survival rates no less than 25% and at least 168,000 ha rangelands provided with increased access to water for grazing animals</td>
<td>Component II B: Year 1 – Year 6: Low levels may flag constraints in fund flow, methodologies, or unrealistic expectations</td>
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<td>Component IIIA: Improvements in policy information, and human resource capacity</td>
<td>Component IIA: (i) analytical studies on policy and public expenditure; (ii) expansion of information facilities and development of information system; (iii) HRD plan and in-service training program</td>
<td>Component IIA: Year 1 – Year 6: Low levels may flag constraints or unrealistic expectations</td>
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<td>Component IIIB: Competitive grant fund for pilot demonstration investments (e.g. timber usufruct sharing)</td>
<td>Component IIIB: Operational manual approved, and 35 grants approved and then implemented with well monitored results</td>
<td>Component IIIB: Year 1 – Year 6: Numbers indicate that this component is functioning</td>
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<td>Component IIIC: Project administration is satisfactory</td>
<td>Component IIIC: Bank supervision ratings</td>
<td>Component IIIC: Year 1 – Year 6: Flags administrative and communication problems</td>
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