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Report No: PAD5418

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$225.5 MILLION

TO INDIA

FOR THE

ENHANCING LANDSCAPE AND ECOSYSTEM MANAGEMENT (ELEMENT) PROJECT

November 4, 2024

Environment Department
South Asia

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CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2024)

Currency Unit = US DOLLAR (US\$)

INR 83.89 = US\$1

FISCAL YEAR

April 1 - March 31

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ABBREVIATIONS AND ACRONYMS

APC	Agriculture Production Commissioner	M&E	Monitoring and Evaluation
BMC	Biodiversity Management Committee	MDoNER	Ministry for Development of North Eastern Region
CAG	Comptroller and Auditor General of India	MSME	Micro, Small and Medium Enterprises
CCA	Community Conservation Areas	NBT	Nature Based Tourism
CERC	Contingency Emergency Response Component	NDC	Nationally Determined Contribution
COM	Community Operations Manual	NGO	Non-Governmental Organization
CPF	Country Partnership Framework	NTFP	Non-Timber Forest Produce
CRI	Corporate Results Indicator	PD	Project Director
DFO	District Forest Officer	PDO	Project Development Objective
E&S	Environmental and Social	PIU	Project Implementation Unit
EC	Executive Committee	PMU	Project Management Unit
EDC	Eco-Development Committee	POM	Project Operations Manual
ELEMENT	Enhancing Landscape and Ecosystem Management	PPP	Public Private Partnership
ESF	Environment and Social Framework	PPSD	Project Procurement Strategy Document
ESMF	Environmental and Social Management Framework	PSC	Project Steering Committee
ESCP	Environmental and Social Commitment Plan	R&D	Research and Development
FM	Financial Management	SDFO	Sub-divisional forest officer
FDA	Forest Development Agency	SEA/SH	Sexual Exploitation and Abuse or Sexual Harassment
GB	Governing Body	SEP	Stakeholders Engagement Plan
GeM	Government e-Marketplace	SFDA	State Forest Development Agency
GHG	Greenhouse Gases	SHG	Self Help Group
Goi	Government of India	SoCRAN	Society for Climate Resilient Agriculture in Nagaland
GoN	Government of Nagaland	SPMU	State Project Management Unit
GoT	Government of Tripura	STEP	Systematic Tracking of Exchanges in Procurement
GDP	Gross Domestic Product	TSA	Technical Support Agency
GRS	Grievance Redress Service	TSFRI	Tripura State Forest Research Institute
GRM	Grievance Redressal Mechanism	UNFCCC	United Nations Framework Convention on Climate Change
HCB	Housing and Construction Board	VCD	Value Chain Development
HVFP	High Value Forest Products	VCDIC	VCD and Innovation Cell
IUFR	Interim Unaudited Financial Report	VMC	Village Management Committee
JFMC	Joint Forest Management Committees	WBG	World Bank Group
JICA	Japan International Cooperative Agency		
LULUCF	Land Use, Land Use Changes, and Forestry	ZMU	Zonal Management Committee



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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies) India	Operation Name Enhancing Landscape and Ecosystem Management (ELEMENT) Project		
Operation ID P179935	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Substantial	

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 25-Nov-2024	Expected Closing Date 30-Jun-2030
Bank/IFC Collaboration No	

Proposed Development Objective(s)

To improve landscape management and increase benefits for targeted forest dependent communities in Tripura and Nagaland.

Components

Component Name	Cost (US\$)
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Strengthening Capacities for Integrated Landscape Management	48,030,000.00
Restoring Landscapes for Improved Ecosystem Services	169,680,000.00
Enhancing Landscape-based Value-chains for Economic Transformation	40,150,000.00
Project Management	25,870,000.00
Contingency Emergency Response Component	0.00

Organizations

Borrower:	India		
Contact	Title	Telephone No.	Email
Ms. Manisha Sinha	Additional Secretary (OMI, Crypto & FB)	23092882	manisha.sinha@nic.in
Mr. Simrandeep Singh	Director, DEA, Ministry of Finance	9419257870	simrandeep.iasjk@nic.in
Implementing Agency:	Ministry of Development of North Eastern Region (MDoNER), Society for Climate Resilient Agriculture in Nagaland (SoCRAN), Government of Nagaland, State Forest Development Agency (SFDA), Department of Forests ,Government of Tripura		
Contact	Title	Telephone No.	Email
Mr. Angshuman Dey	Joint Secretary	23015358	angshuman.dey@nic.in
Mr. Shanavas C	CEO ELEMENT PROJECT NAGALAND	8732893116	shanavas.c@ias.nic.in
Mr. Wezope Kenye	State Agriculture Production Commissioner (APC)	9436009603	apc-ngl@gov.in
Mr. Chaitanya Murti	CEO and Project Director ELEMENT PROJECT TRIPURA	9717403877	elementtripuraforest@gmail.com
Mr. R K Samal	Principle Chief Conservator of Forests and Head of Forest Force	9436995208	pccftripura@gmail.com

PROJECT FINANCING DATA (US\$, Millions)**Maximizing Finance for Development****Is this an MFD-Enabling Project (MFD-EP)?**

Yes



Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	284.29
Total Financing	284.29
of which IBRD/IDA	225.52
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	225.52
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Non-World Bank Group Financing

Trust Funds	2.40
Global P'ship for Sust. and Resilient Landscapes - PROGREEN	2.40
Counterpart Funding	56.37
Borrower/Recipient	56.37

Expected Disbursements (US\$, Millions)

WB Fiscal Year	2025	2026	2027	2028	2029	2030	2031
Annual	11.99	30.16	44.74	47.72	45.95	44.00	0.95
Cumulative	11.99	42.16	86.90	134.62	180.56	224.56	225.52

PRACTICE AREA(S)

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

Contributing Practice Areas

Agriculture and Food; Finance, Competitiveness and Innovation

CLIMATE



Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Overall	● Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant



ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

The Tripura Project Implementing Entity (Tripura PIE) shall, by no later than one (1) month after the Effective Date, establish and thereafter maintain, throughout Project implementation period: (a) PMU within its SFDA (Section I.A.2(a) of the Schedule to the Project Agreement); and (b) a project implementation unit within Tripura Housing and Construction Board (HCB-PIU) (Section I.A.2(d) of the schedule to the Tripura Project agreement).

The Tripura PIE shall maintain, throughout the Project implementation period: (a) the SFDA, the JFMCs, the EDCs, and any other state agency/unit involved in the implementation of its Respective Parts of the Project (Section I.A.2(c) of the Schedule to the Tripura Project Agreement); and (b) the Tripura Project Steering Committee (Section I.A.2(e) of the Schedule to the Tripura Project Agreement).

The Tripura PIE shall: (a) prepare and adopt, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation period of the Project, the Tripura Project Operations Manual in form and with substance satisfactory to the Bank; and (b) carry out its Respective Parts of the Project in accordance with the Tripura Project Operations Manual (Section I.B.1 of the Schedule to the Tripura Project Agreement).

The Nagaland Project Implementing Entity (Nagaland PIE) shall establish, by no later than one (1) month after the Effective Date, and thereafter maintain, throughout the Project implementation period, the SPMU in the SOCRAN (Section I.A.2(a) of the Schedule to the Nagaland Project Agreement).

The Nagaland PIE shall establish, by no later than one (1) month after the Effective Date, or any other date as agreed in writing between the Bank and the Nagaland PIE, and thereafter maintain throughout the Project implementation period, three ZMUs (Section I.A.2(c) of the Schedule to the Nagaland Project Agreement).

The Nagaland PIE shall: (a) prepare and adopt, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the implementation period of the Project, the Nagaland Project Operations Manual in form and



with substance satisfactory to the Bank; and (b) carry out its Respective Parts of the Project in accordance with the Nagaland Project Operations Manual (Section I.B.1 of the Schedule to the Nagaland Project Agreement).

By no later than one (1) month after the Effective Date, or any other date as agreed in writing between the Bank and the Tripura PIE and/or Nagaland PIE (as the case may be), the Tripura PIE and the Nagaland PIE shall each engage the services of a project management consultant agency, and thereafter maintain such services throughout the implementation period of the Project (Section I.A.2(d) of the Schedule Nagaland Project Agreement; Section I.A.2(f) of Schedule to the Tripura Project Agreement).

By no later than three (3) months after the Effective Date, or any other date as agreed in writing between the Bank and the Tripura PIE and/or Nagaland PIE (as the case may be), the Tripura PIE and the Nagaland PIE shall each engage the services of a specialized technical support agency, and thereafter maintain such services throughout the implementation period of the Project (Section I.A.2(e) of the schedule to the Nagaland Project Agreement; Section I.A.2(g) of the Schedule to the Tripura Project Agreement).

The Recipient, through MDoNER, shall, at all times during Project implementation, ensure that the PIU is maintained with mandate, composition and resources acceptable to the Bank and is responsible for carrying out day to day implementation of Part 1.4 of the Project (Section I.A.2 of the Schedule 2 to the Grant Agreement).

The Recipient shall: (1) prepare and adopt, by not later than one (1) month after the Effective Date, and thereafter maintain throughout the implementation of the Project, the POM (Section I.B.1 of Schedule 2 to the Grant Agreement); and (2) carry out Part 1.4 of the Project in accordance with the arrangements, procedures and guidelines set forth in the POM (Section I.B.2 of Schedule 2 to the Grant Agreement).

Prior to procurement and/or use of drones under their Respective Parts of the Project, the Tripura PIE and Nagaland PIE shall (a) Notify the Bank of such proposed procurement and/or use, and assess any risks related to such procurement and/or uses, including operational, legal and regulatory, institutional, technical, social and environmental, and fiduciary risks, and to recommend appropriate mitigation measures; and (b) Develop a risk mitigation plan for the procurement and/or use of drones in form and substance satisfactory to the Bank. No drones shall be procured/or used under a Project Implementing Entity’s Respective Parts of the Project unless such Project Implementing Entity has implemented the risk mitigation measures in accordance with the paragraph 1 above, in form and manner satisfactory to the Bank. (Section III of the Schedule to the Nagaland Project Agreement and the Tripura Project Agreement).

Conditions

Type	Citation	Description	Financing Source
Disbursement	Condition-1	No withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed US\$7,500,000 may be made for payments made prior to this date but on or after April 15,2024, for Eligible Expenditures;	IBRD/IDA



Disbursement	Condition-2	No Withdrawal shall be made under Category 1 until and unless Tripura PIE has prepared and adopted the Tripura Project Operations Manual in such a form and substance as acceptable to the Bank	IBRD/IDA
Disbursement	Condition-3	No Withdrawal shall be made under Category 2 until and unless the Nagaland PIE has prepared and adopted the Nagaland Project Operations Manual in such a form and substance as acceptable to the Bank.	IBRD/IDA
Disbursement	Condition-4	No withdrawal shall be made for Emergency Expenditures under Category (4), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Borrower, and/or a Project Implementing Entity(ies), as the case may be, has/have determined that an Eligible Crisis or Emergency has occurred, and has/have furnished to the Bank a request to withdraw Loan amounts under Category (4); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower, and the respective Project Implementing Entity, as the case may be, thereof; and (ii) the Borrower, and/or a Project Implementing	IBRD/IDA



		Entity(ies), as the case may be, has/have adopted its/their respective CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.	
Disbursement	Condition-5	MDoNER: No withdrawal shall be made for payments made prior to the Signature Date.	Trust Funds
Disbursement	Condition-6	MDoNER: No withdrawal shall be made under Category 2, until the Recipient has prepared and adopted the POM in form and substance satisfactory to the Bank.	Trust Funds
Disbursement	Condition-7	MDoNER: No withdrawal shall be made for payments made to finance any activity under Part 1.4 of the Project that the World Bank has agreed to finance under the Loan Agreement.	Trust Funds



I. STRATEGIC CONTEXT

A. Country Context

1. **Growth is estimated to have risen to 8.2 percent in fiscal year (FY) 2023/24, and it is expected to remain robust in the medium term.** In FY2023/24, India remained the fastest-growing large economy. While consumption growth is estimated to have softened and export demand moderated due to a weak global environment, strong public investment and a nascent private capex upcycle kept economic growth elevated. Going forward, consumption demand will recover gradually, thanks to declining inflation and higher rural incomes, and private capex is expected to accelerate, facilitated by healthy corporate balance sheets and strong macroeconomic fundamentals. The government's efforts to contain current spending, coupled with strong revenue performance, helped reduce the general government fiscal deficit to 8.5 percent of GDP in FY2023/24. This should contribute to narrowing the deficit further over the medium term, with the debt-to-GDP ratio stabilizing at around 82 percent of GDP. India's external position remains favorable, with growing services exports, a narrowing merchandise trade deficit, healthy foreign portfolio inflows, and large foreign exchange reserves of more than US\$670 billion (as of August 16, 2024).

2. **India has made remarkable progress in reducing extreme poverty over the past two decades.** The share of the population living below US\$2.15 per person per day (2017 purchase power parity) is estimated to have declined significantly between 2011 and 2019 from 22.5 to 13.2 percent. In line with global trends, extreme poverty increased by two percentage points in 2020 on account of the pandemic. However, broad access to vaccines and government mitigation measures contributed to the return to pre-pandemic poverty levels. The extreme poverty rate is estimated to have declined to 12.9 percent in FY 2021/22, while moderate poverty (US\$3.65 per person per day) rate is estimated at 44.1 percent in FY 2021/22. India's long-term progress in reducing extreme poverty was accompanied by a sharp decline in the incidence of multidimensional poverty, from 27.7 percent in 2015/16 to 16.4 percent in 2019/21. Inequality in consumption has remained stable over the past two decades, with a Gini index of between 32 – 35. Child stunting (under the age of 5) has been steadily declining since 2005/06, to 35.5 percent in 2019/21. Headline employment indicators have consistently improved since 2020, and unemployment rates have recovered in urban and rural areas, but concerns about job quality, youth unemployment, and female labor force participation remain.

B. Sectoral and Institutional Context

3. **Forests in India support rural economy and are a major source of employment.** Indian forests cover 72.2 million hectares (ha), which is 24.3 percent of the total territory of the country, making India one of the top ten forest rich countries in the world. Forest land use is the second most prominent after agriculture. India's forests' contribution to GDP is under 2 percent, but economic valuation stands at US\$1.7 trillion. Forests contribute 57 percent to rural communities' livelihoods. Timber and non-timber forest products (NTFPs) provide direct employment of 350 million-work days. NTFPs alone are valued at about US\$2.5 billion and contribute significantly to rural economy. NTFPs are part of the increasing national/global wellness markets, and some could be segmented as High Value Forest Products (HVFP). With more support from research and development, the value chains and market linkages for HVFPs could unlock India's forest wealth. This would also accelerate private sector's participation in the forest ecosystem and trees outside forest, paving the way to creation of new market opportunities like eco-tourism, renewable energy, natural fiber, fragrance, flavor, aromatic, medicinal, and paper pulp.

4. **Forest degradation has impacted forest productivity and forest ecosystem services.** The carbon stock of the Indian forests is estimated at 7.204 Gt in 2021, placing India among the top six countries for



significant carbon sequestration potential. Although forest fires, shifting cultivation, and forest degradation have been the source of greenhouse gas (GHG) emissions, the Land Use, Land Use Changes, and Forestry (LULUCF) sector is a net sink in India. In 2016, LULUCF sequestered 330.76 million tons of CO₂, which is about 15 percent of India's total CO₂ emissions from all sectors. However, multiple demands on forests impact the forest quality, cause biodiversity loss, accelerate water flow, topsoil loss, and affect the flow of ecosystem services. Over 30 million hectares of India's forest have less than 40 percent canopy cover and are considered as "open forests." The average growing stock for all forests in India is 71m³ per ha and 67m³ per ha in naturally regenerated forest, which comprises 82 percent of the forest area. This is significantly less than the world average of 137m³ per ha.

5. **Increasing forest fires damaged forest cover resulting in adverse socio-economic and ecological impacts.** Forest fires in India increased by almost 38 percent from 24,450 in 2003 to 33,664 in 2016. The 2021 Forest Survey of India Report points that nearly 4 percent of the forested area is extremely prone to forest fires whereas 6 percent of the forest cover is in very highly fire-prone zones. The annual tangible loss from forest fires is estimated at around US\$164 million at 2016 prices.

6. **India has an ambitious climate mitigation and adaptation agenda and international climate commitments.** In its Nationally Determined Contributions (NDC), India commits to create an additional forest carbon sink of 2.5 to 3 GtCO₂ by 2030 as a pathway for reducing LULUCF linked emissions and improving the adaptation potential. India is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement and has set a target to achieve land degradation neutrality by 2030 by restoring 26 million ha degraded and forested land, one of the highest national commitments in the world.¹ Implementation though has been lagging due to technical, institutional, and financial challenges. The 2019 Forest Survey of India Report estimated that, under the business-as-usual scenario, carbon stock will increase to 31.87 GtCO₂ by 2030. Compared to 30.53 GtCO₂ in 2020, this is an increase of about 1.35 GtCO₂, against the target of 2.5 to 3 GtCO₂. Achieving the ambitious NDC targets will require strengthening relevant institutions for applying a landscape approach, effective inter-sectoral coordination, and capacity augmentation through encouraging participation of the private sector. Private sector could play an expanded role for agroforestry and plantations outside designated forest areas. The market potential of carbon sequestration could also be an attractive investment proposition for the private sector in forests.

7. **Nagaland and Tripura are landlocked states in India's north-east, with high forest cover and significant forest dependent tribal populations.** Tripura is home to 3.7 million people, including 1.5 million forest dependent tribal population. Seventy four percent of Tripura's land is covered by forest. Similarly, in Nagaland, forests comprise about 74 percent of the total area, of which 97 percent is owned by communities, clans, and tribes. About 70 percent of the population of Nagaland relies on agriculture and forests for their living. Tribal populations in both states are inextricably dependent on the forest ecosystems for agriculture, housing, small marketable forest products, bamboo brakes, and medicinal plants. Therefore, a loss of forest cover is an immediate threat to their well-being. The forests in these states are rich in biodiversity. Parts of the Indo-Myanmar and Himalaya global biodiversity hotspots are on the territory of the two states, home of 39 percent of India's endemic species and of 47 percent of the crop diversity. Seven protected areas shelter rare, endemic, and endangered species of flora and fauna and nutrient-rich soils. HVFPs like Agarwood and Sugandhi in Tripura and a variety of spices, condiments, and aromatic herbs in Nagaland are promising inputs for private sector investments and jobs. To realize

¹ Binod, B., Bhattacharjee, A., and Ishwar, N.M. (2017). *Bonn Challenge and India: Progress on Restoration Efforts across States and Landscapes*. New Delhi, India: IUCN. viii + 32 pp



this potential, the states need creative solutions for facilitating and organizing supply chains linked to potential markets, skilled labor, and processing technology.

8. **Both states have suffered significant reductions in forest cover.** During 2011-21, Nagaland and Tripura lost 3.2 percent and 8 percent of the forest cover, respectively, affecting a range of ecosystem services vital to agriculture and freshwater availability. Land use changes and extreme weather events have accelerated soil erosion in the hilly areas and reduced soil moisture and fertility. Frequent weather hazards and lower productivity in agriculture have disproportionately affected the resource dependent communities.

9. **Forest fires in Nagaland and Tripura have increased due to rising temperatures and shifting cultivation practices.** Forest fires aggravated by climate change and shifting cultivation and overgrazing emerge as key concerns in reducing forest cover. With increasing population pressure and changing climate, the shifting cultivation (locally known as *Jhum*) cycle has shortened from 10-15 years to 2-3 years. Excessive agricultural activity has affected the forests, turning prime forests into secondary woodland of shrubs. In Nagaland, more than 60 percent of the total forest area is categorized “extremely vulnerable” or “highly vulnerable,” and same applies to almost 50 percent of Tripura’s Forest area (Forest Survey of India Report, 2021). Frequent fires increase water repellency of forest soils, reduce infiltration, and increase erosion.

10. **Nagaland and Tripura hold significant potential for nature-based tourism (NBT).** The natural endowment, landscapes, steep hills, plateaus, vast plains, river systems, cultural diversity, and unique ethnic and tribal cultures offer avenues for expanding the experience of tourists in both states. In Nagaland and Tripura, tourism contributed 1.53 percent and 1.87 percent, respectively, in direct share of tourism in the State Gross Value Added and 3.05 percent and 3.08 percent in terms of tourism’s share of the state total direct employment. NBT could reduce community dependence on forests and pressures on national parks and sanctuaries. Greater awareness of value of conservation measures and related economic benefit could unlock more employment opportunities. Tourist businesses could offer new products like adventure tourism using the local traditions to provide alternative sources of incomes.

11. **Nagaland and Tripura have considerable potential to increase forest carbon sequestration and to contribute to Government of India’s (GoI) climate commitments.** The Government of Tripura (GoT) is determined to increase the average density of forest cover from the present 51 percent to 70 percent and to augment the state forest carbon stock by additional 8 million tons from the current 75 million tons by 2030. Nagaland could sequester between 26.5 to 27 million tons of carbon from the above-ground carbon stocks through improvements in the tree cover. To realize this potential, further degradation should be prevented and degraded forests should be restored.

12. **Traditional approaches to forest management cannot reverse degradation trends.** The integrated landscape approach of “Enhancing Landscape and Ecosystem Management (ELEMENT) Project” builds on a holistic view of terrestrial landscapes. It goes beyond the traditional forested areas and encompasses forest fringe landscapes — grasslands, wetlands, farmlands, and other land use categories – to maximize community benefits, thereby improving economic and climate resilience of local rural and forest dependent communities. This approach will increase productivity and improve the multifunctionality of forest landscapes. It transfers technical competencies and creates collaborative partnerships among stakeholders, including customary institutions and the private sector. Importantly, this approach steers changes in the natural resource policies to ensure that economic development does not come at the expense of environment, social, and cultural fabric. Central to the approach is the protection of ecosystem services vital for resilience to climate change, carbon sequestration, soil



amelioration, erosion control, flood regulation, water recharge, holding and purification, pollination, windbreaks, and protection of biodiversity and its genetic pool. In the long run, better managed landscapes provide sustained income opportunities for local people. Creating additional forest carbon sinks will open the carbon-space for development of other sectors and for reducing the GHG emission intensity of GDP.

13. **The landscape approach would require more effective cross-sectoral coordination.** The challenges that need to be addressed for more effective cross-sectoral coordination in preventing further degradation, restoring degraded forest landscapes, and improving the management of productive landscapes include: (i) weak institutional structures, knowledge and information for integrated landscape management and planning, (ii) limited technical capacity of state institutions to promote integrated landscape management, adaptation, and resilience among communities, (iii) lack of investments to address degradation, (iv) limited knowledge among local communities about sustainable landscape management practices, and (v) lack of incentives to adopt such practices.

C. Relevance to Higher Level Objectives

14. **The project is consistent with the World Bank Group's (WBG) Country Partnership Framework (CPF) for India FY18-22 discussed by the Board of Executive Directors on September 20, 2018 (Report No. 126667-IN) and extended to FY25 by the corresponding Performance and Learning Review dated October 23, 2023.** Supporting sustainable forestry and generating ecological services will contribute to efficient use of the country's natural resources toward growth (CPF Pillar 1). The private sector participation in NTFP value chains will create a range of economic opportunities for forest dependent communities, especially women, and will contribute to competitiveness and job creation (CPF Pillar 2). Investments in skills development and new competencies in forest frontline staff and community members will improve the human capital (CPF Pillar 3). The project will also strengthen public agencies, such as Forest Departments and other relevant institutions, to address service delivery gaps.

15. **The project will contribute to the implementation of the WBG Climate Change Action Plan (2021-2025) and the Action Plan on Climate Change Adaptation and Resilience (Report No. 136368).** The latter identifies forests and integrated landscape management as one of the six adaptation themes the WBG will support and is aligned with the integrated landscape management approach for landscape restoration and sustainable forest management across 120 million hectares of forests in 50 countries. The South Asia Roadmap of the Climate Change Action Plan 2021-2025 indicates a potential to sequester 250-500 million tons of carbon, generate 20 million short-term jobs, and provide livelihood support to 5 million households by targeting forest restoration of over 20 million ha in South Asia.

16. **The project also supports the implementation of India's National Action Plan on Climate Change** by a combination of adaptation and mitigation measures, including enhancing the carbon sinks in sustainably managed forests and other ecosystems, adaptation of vulnerable species/ecosystems to the changing climate and adaptation of forest dependent communities. This includes meeting India's Land Degradation Neutrality target under the UNFCCC and its Paris Agreement aiming to achieve land degradation neutrality by 2030 and restoring 26 million ha of degraded land.

17. **The project is consistent with the India's Long-term Low-Carbon Development Strategy (2022) and NDC (2015),** and India's commitment to reduce the emissions intensity of GDP by 45 percent by 2030 from 2005 level. The Ex-ACT Tool used to estimate climate benefits indicates that the interventions in Nagaland and Tripura could help sequester 10 million tons of CO₂ equivalent in the next 20 years. The



project will also help prevent land degradation, maintain productivity, increase carbon stocks, and transfer carbon to wood products, mitigating the adverse impacts of climate change on land degradation.

18. **The project will support the operationalization of the WBG Gender Strategy for FY16-FY23** (Report No. 102114). The project will prioritize enhancing women’s voice and agency by addressing the lack of women representation and participation in village level decision-making roles in the management of forests and bioresources. The project will build the capacity of women representatives and help achieve 33 percent representation of women in leadership roles in executive committees of the community institutions. The project will also support more and better jobs for women by ensuring that they have equal access to new job opportunities in the forestry sector, through support to NTFP and HVFP.

19. **Maximizing Finance for Development:** The project will enable maximizing finance for development as it aims to unlock economic transformation of the forest sector of Nagaland and Tripura by addressing some of the upstream, midstream, and downstream binding constraints for private sector investments. The project will address those constraints through: (i) strengthening the institutions for research, development, and upstream biodiversity mapping; (ii) strengthening institutional capacity by infusing professional expertise in value chain development and enterprise incubation; (iii) attracting investments through support to Public Private Participation Partnership (PPP), as needed; (iv) supporting supply chain development through critical value chain infrastructure, e.g. establishing auction yard/market platforms for HVFP for transparent price discovery; (v) facilitating market access support through roadshows, buyer-seller meetings, market information system; (vi) setting up a business incubation center to promote enterprises involved in businesses around forest/natural produce; and (vii) forging partnerships with international/national knowledge agencies.

II. PROJECT DESCRIPTION

A. Project Development Objective

20. To improve landscape management and increase benefits for targeted forest dependent communities in Tripura and Nagaland.

PDO Level Indicators

- a) Terrestrial and aquatic areas under enhanced conservation and management (CRI)
- b) Net GHG emissions (CRI)
- c) People with increased benefits from landscape-based value chains, disaggregated by gender
- d) New or better jobs, disaggregated by gender and youth (CRI)
- e) People with enhanced resilience to climate risks (CRI)

B. Project Components

21. **The project supports the states of Nagaland and Tripura in their transition to environmentally sustainable and resilient management of landscapes and forests by addressing the root causes negatively affecting the vitality of these ecosystems.** The financial support for sustainable and integrated landscape management is chosen for strategic reasons. These are to: (i) invest in strengthening of institutions that need to engage in integrated landscape management; (ii) invest in afforestation, restoration, and densification of forests that provide multiple economic and ecological benefits; (iii) invest in soil moisture conservation and fire management to reverse/prevent further losses of natural capital; (iv) further the conservation and enhancement of protected areas and their equivalents; (v) promote climate resilient agriculture and livelihood support activities; and (vi) enhance the value-chains of forest



linked enterprises in these landscapes. The Project also benefits from a complementary Global Partnership for Sustainable and Resilient Landscapes (PROGREEN) Grant in the amount of US\$2.4 million (Grant TF03612) to facilitate the knowledge sharing on innovative landscape management practices. The project does not aim to eliminate the practice of *jhum* cultivation in project areas. Rather, building the capacity of *jhum* practitioners will facilitate the acknowledgement that alignment between longer *jhum* cycles and associated benefits, such as retention of soil fertility, increased biodiversity, and improved soil moisture regimes, are economically beneficial and interconnected. The project will be implemented in rural areas of 15 districts of Nagaland and 8 districts of Tripura.

22. **Component 1: Strengthening Capacities for Integrated Landscape Management** (Total US\$48.03 million; US\$36.69 million IBRD; US\$2.16 million PROGREEN; US\$1.04 million Government of Nagaland (GoN); US\$8.14 million GoT). This component has four sub-components:

23. **Sub-component 1.1: Strengthening the capacity of participating states relevant institutions in participatory planning, implementation, and monitoring** (US\$20.67 million). The objective of this sub-component is to strengthen the institutional capacity of the states to efficiently deliver on their mandate, apply an integrated landscape approach, expand community engagement and achieve state targets for NDC contribution. This sub-component will include: (i) carrying out a review of the relevant policy and regulatory environment, including existing Joint Forest Management Committee (JFMC) and SFDA regulations, legal status of various NTFPs within state forest boundaries; (ii) developing climate-resilient landscape planning guidelines, including incorporation of climate adaptation and mitigation themes such as sequestration potential, fire management, climate trends for species selection, GHG in NTFP value chains, and water balance estimation; (iii) training of staff and stakeholders; and (iv) supporting developing early warning system for forest fire prevention and management.

24. **Sub-component 1.2: Strengthening capacity of participating states institutions for Research & Development (R&D) and value chain development** (US\$14.37 million). This sub-component will support (i) upgrading of Forest Research Unit of the Forest Department in Tripura. The augmented entity will become the state institute for forest sector research and development, to address fragmentation and lack of coordinated approach to forest sector R&D. New construction and renovation will optimize the potential of each site and building for energy use, protect and conserve water, optimize material use and the operation and maintenance of the facilities of state Institute for Forest Research and Development; (ii) development of a decision support system for landscape planning and management, a conservation breeding center for endangered species, and an atlas of aquatic ecosystem; (iii) addressing of human-wildlife conflict via forming an equipped and trained cadre of rescue team and improvising rescue operation infrastructure; and (iv) preparation of management plans for selected conservation reserves, including the *Arjee* and the *Bhairabnagar* Conservation Reserves.

25. **Sub-component 1.3: Strengthening the capacity of existing and new community institutions for decentralized natural resources management** (US\$9.48 million). This sub-component aims to strengthen the capacity of community institutions such as JFMCs, Biodiversity Management Committee (BMCs), Self Help Groups (SHGs), and Village Councils for decentralized management of natural resources and biodiversity, including strengthening the capacity to assess and map their natural resources, develop and implement community-led climate-resilient landscape management plans, react to fire emergencies, and monitor progress and adapt actions to changing conditions, and supporting capacity strengthening training of women to improve representation of women in leadership roles (such as ensuring 33 percent women in executive committees of JFMCs and BMCs). Where possible, tribal governance will be involved in the decision-making for areas focusing on their long-held role in regulating the use of natural resources.



26. **Sub-component 1.4: Knowledge and information sharing on innovation** (US\$3.5 million, including US\$2.16 million PROGREEN). This sub-component will support information and knowledge sharing on innovations in landscape management. This will include : (i) the establishment of a digital knowledge platform hosted at Ministry of Development of North Eastern Region (MDoNER) that serves as a hub for information, expertise, and collaboration to promote sustainable forest management practices, support climate-informed decision-making, facilitate stakeholder dialogue and knowledge exchange among researchers, policymakers, practitioners, and local communities and (ii) information dissemination and sharing via field exchange, learning, and knowledge systems. from project sites and similar initiatives in select states/ geographical areas as defined in the Project Operations Manuals (POMs) for the two participating states and MDoNER and via knowledge systems such as the World Overview of Conservation Approaches and Technologies, which operates a global database on conservation approaches and technologies. Annual stakeholder meetings will be held in the participating states to share the results.

27. **Component 2: Restoring Landscapes for Improved Ecosystem Services** (Total US\$169.68 million; US\$135.68 million IBRD; US\$11.86 million GoN; US\$22.14 million GoT). The objective is to restore and maintain the ecological functions and productivity of the targeted landscapes of an area of 41,700 ha in Tripura and an area of 13,100 ha in Nagaland. Component 2 has two sub-components, as follows.

28. **Sub-component 2.1: Developing Community Landscape Management Plans** (US\$11.53 million). This sub-component will support the forest-fringe communities, tribal governance bodies, relevant state departments, and civil society organizations to prepare together Community Landscape Management Plans for targeted catchment areas of the targeted landscapes in Nagaland and Tripura. These include (i) the preparation of a geographic-information-system-based catchment diagnostic, reflecting future climate scenarios, as appropriate; (ii) the development of inventories and registries such as respective Land Resource Inventories, Forest Inventories and Registries, including People's Biodiversity Registers; and (iii) the development of specific sub-plans, such as biodiversity conservation and management, forest management, water augmentation and management, soil productivity enhancement, fire management, and livelihood improvement sub-plans.

29. **Sub-component 2.2: Implementation of Community Landscape Management Plans in targeted catchments** (US\$158.15 million). This sub-component will provide Community Sub-Grants to beneficiaries for implementation of their respective Community Landscape Management Plans, developed under sub-component 2.1, including a set of activities for: (a) forest landscape restoration, (b) soil and water conservation, and (c) food, income, and livelihood security. The forest landscape restoration activities may include climate-informed activities such as (i) protection and natural regeneration of forests; (ii) afforestation and reforestation of open forest area and scrub lands with maximum possible diversity of tree species for enhanced availability of timber, medicinal, fiber, and aromatic products; (iii) planting understory with medicinal and aromatic plants and grasses; (iv) community nurseries, with selection of species based on needs assessment of the community and agro-ecological suitability; (v) fire management interventions, and (vi) actions to augment Protected Areas and/or Community Conservation reserves, and biodiversity conservation. The soil and water conservation activities may include vegetative check dams, contour trenches, earth bunds or ditches planned according to climate resilient designs and implemented primarily in and around plantation areas. Community Institutions would be adequately trained to monitor the process of construction of such structures and to maintain project assets afterwards. The food, income, and livelihood security activities may include demonstration of climate-resilient agricultural practices (e.g., management of shifting cultivation areas, transition from jhum to stable agroforestry, horticulture, micro-irrigation structures for spring and rainwater-fed irrigation, micro-technologies for



farming, value enhancement of select farm products, vermicomposting, conservation and propagation of agro-bioresources, and livelihood diversification). This sub-component will climate-proof small village-level common facility centres for aggregation and management of demand for inputs (irrigation equipment, mechanisation, seeds, small implements, harvest equipment, etc.).

30. **Component 3: Enhancing Landscape-based Value-chains for Economic Transformation** (Total US\$40.15 million; US\$32.1 million IBRD; US\$1.88 million GoN; US\$6.17 million GoT). This component will provide support for creating income and entrepreneurship opportunities by promoting processing units, market, and forward linkages along value chains of HVFPs, bio-resources, agriculture, and allied activities, and by promoting NBT. Emphasis will be placed on NTFP value chains that are climate resilient (including drought resistance), that incentivize communities to maintain tree cover (and discourage short rotation *jhum*) by utilizing products from the forest understory, including underplanting of medicinal and other species, and that use indigenous fruit and nut species.

31. **Sub-component 3.1: Agroforestry, Forestry, and NTFP in Value Chain Development and Forest Landscape Enterprises** (US\$28.33 million). This sub-component aims to commercializing the outputs of component 2 by supporting the Nagaland State Rural Livelihood Mission, the Nagaland State Agriculture Produce Livestock Marketing Board, and the Tripura State Forest Research Institute (TSFRI) in particular its specialized Value Chain Development and Innovation Cell (VCDIC) and the Aroma Cell, in promoting enterprises, processing units, and facilitating linkages to local/global markets to unlock the economic potential of landscape resources in both states. The sub-component will:

- a. support value chain analysis through: (i) development of common facilities to produce, aggregate, and value add high value forest products/agroforestry; (ii) promotion of forest landscape enterprise development and innovation; (iii) development of partnerships, linking markets and investments, including collaboration with private/corporate R&D for product development, branding, trade and road shows, and a platform for e-commerce/omni channel distribution; and (iv) analytical studies to map key elements of global and national value chains for selected products and services, and to inform value chain intervention areas.
- b. support community inclusion in value chain through trainings and the development of cluster level common facilities, specialized infrastructure, logistics, and product testing facilities.
- c. support forest landscape enterprises through: (i) promoting enterprise innovation, incubation, and capacity building, (ii) operational support and assessment, (iii) facilitating access to credit and financing through development of partnerships with local financial institutions, and (iv) providing Matching Grants to forest and natural resource-based micro- and small enterprises, for carrying out a set of activities within their respective Business Plans,
- d. build partnerships with selected lead firms for supply chain development,
- e. provide technical assistance to support PPP investment in forest landscapes, including the carrying out of analytical work to attract potential firms for PPP investments in selected areas of investments
- f. support the establishment of a unit/cell within the Forest Department in Tripura for enhancing the competitiveness of agarwood industry with respect to innovation and technology for processing, standardization, certification, laboratory services, and new product development in partnership with agencies such as the Fragrance and Flavour Development Centre, Kannauj, the Directorate of Medicinal and Aromatic Plant Research, Anand; the Central Institute of Medicinal and Aromatic Plant Research, Lucknow.



- g. support scaling up of honeybee rearing and value chain development experience in Nagaland through:
 - (i) providing farmer common facilities and training, strengthening of the relevant institutional capacity, decentralized operational capabilities, and the centralized honey laboratory and marketing,
 - (ii) establishing partnerships with knowledge agencies and private sector players, (iii) facilitating quality honey production, processing, and marketing, and (iv) facilitating access to modern technology, packaging, certification, and traceability. A list of eligible activities for matching grant financing and eligibility criteria for the selection will be included in the Matching Grant Manuals.

32. **Sub-component 3.2: Augmenting Eco-tourism Opportunities** (US\$11.82 million). This sub-component will stimulate market development and diversification of NBT circuits in both states. It will focus on:

- a. supporting ecotourism development and marketing strategies through: (i) assessment of main conservation issues and opportunities for NBT in and around protected areas, national parks, and Community Conservation Areas (CCAs), review and analysis of opportunities for benefit-sharing schemes and incentives for nature-based conservation, domestic and regional market and competitiveness analysis for NBT, training and capacity needs assessments, and an assessment to identify specific barriers and policy gaps; (ii) support for marketing and promotion initiatives, product development, strengthening of new and existing NBT circuits, and preparation of ecotourism destination plans; and (iii) technical assistance and capacity building support to public and private sectors players, communities, and relevant stakeholders for identifying and maintaining NBT assets and CCAs, improving skills for communication, hospitality, homestay management, and as nature guides, climate risk mitigation approaches, environmental and social impact assessment, tourism products and services; and
- b. supporting infrastructure investments to augment capacity development gains and diversify NBT circuits through, *inter alia*: (i) improvement of nature-oriented facilities and services in national parks and protected areas; and (ii) provision of Community Sub-Grants to beneficiaries for carrying out a set of activities aimed at improving nature-oriented facilities and services, such as development of nature trails, animal viewing spots, visitors' interpretation centers, adventure tourism support facilities. Eligible activities for community sub-grant financing and eligibility criteria for selection will be included in the POMs.

33. **Component 4: Project Management, Monitoring, and Evaluation** (Total US\$25.87 million; US\$20.49 million IBRD; US\$1.53 million GoN; US\$3.61 million GoT; US\$0.24 million PROGREEN). This Component will support strengthening capacity of the Project Management Unit (PMU) and the Project Implementation Unit at the Housing and Construction Board (HCB-PIU) in Tripura, and the State-level Project Management Unit (SPMU) in Nagaland to implement the Project, including: (i) staffing and operation of the PMU, SPMU, and zonal management units (ZMUs); (ii) establishment of financial management and procurement systems; (iii) implementation of a communication plan including Right to Information related activities; (iv) carrying out governance and accountability actions; (v) monitoring and evaluation and carrying out third-party audits; and (vi) project coordination activities including, as may be needed, skill upgradation of PMU and SPMU staff in respect of participatory planning, integrated land management, participatory resource management adequately.

34. **Component 5: Contingent Emergency Response Component (CERC)** (US\$0.00 million). Provision of immediate response to an Eligible Crisis or Emergency, as needed. This will include reallocation of loan proceeds from other components to provide immediate response (which may include recovery and reconstruction support) following an eligible crisis or emergency, as needed.



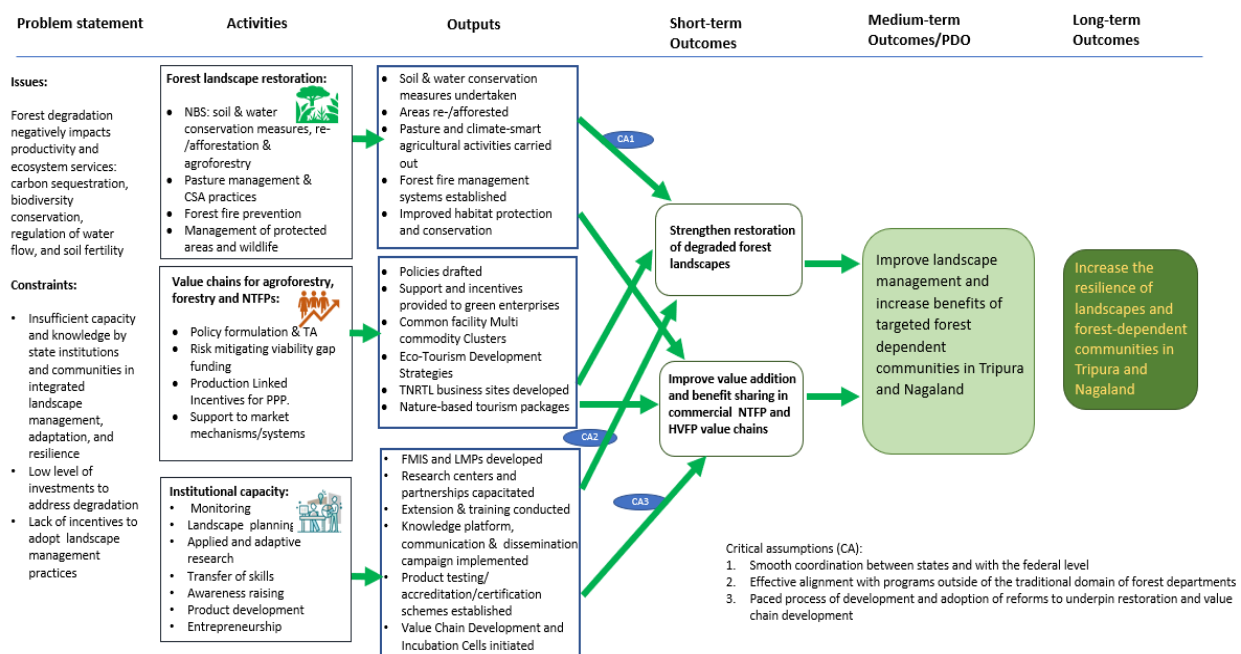
C. Project Beneficiaries

35. The primary project beneficiaries will be rural households, farmers, forest dwellers, tribals, villages, forest dependent communities, and resource user groups in Nagaland and Tripura that are interested in adopting landscape restoration practices. These communities will benefit from technical and financial support to implement project activities designed to improve their livelihoods, increase resilience, and restore ecosystems and their functions. Government agencies will benefit from the improved technical and operational capacity for integrated landscape governance aiming to reconcile potential user conflicts. In Nagaland, 225 villages will participate with an estimated number of about 57,500 people directly benefiting from the project. In Tripura, 248 villages with an estimated 75,000 people will be included in project activities. The project will ensure women and youth beneficiaries are specifically targeted.

36. Local community institutions such as the JFMCs, the Eco-Development Committees (EDCs), the Village Councils, and the BMCs within targeted landscapes will benefit from activities defined in the integrated community landscape management plans. The initial estimates are that approximately 37,920 households in Nagaland and 148,800 households in Tripura will benefit directly and indirectly through enhanced value chains and value addition of green-jobs and enhanced ecosystem services. The village communities will benefit from improved availability of water, increased agricultural outputs from soil conservation measures, eco-tourism income opportunities, and overall growth of rural economy. Enhancement of tree cover would provide fertile ground for biodiversity conservation. Other beneficiaries include farmers, NTFP traders, forest departments, and other relevant departments associated with forest-land-water nexus, women SHGs, among others.

D. Results Chain

Figure 1: Theory of Change





E. Rationale for Bank Involvement and Role of Partners

37. **The public sector has inherent responsibilities to balance strategic interests (economic, natural resources management, and social) in the governance of key natural resources of communities.** The role of the public sector in facilitating conditions for sustainable use of resources and no-harm private sector investments in that space is to establish the enabling environment for the interventions to take effect and produce the desired project outcomes.

38. **Both Gol and the World Bank emphasize the need to create an enabling environment to leverage funding and increase sustainable business opportunities from forests through private sector and community involvement.** However, without a predictable planning framework and institutional capacity, the already significant footprint of current pressures could increase the stress on the green assets of the states and constrain the development of tribal communities. The project supports the implementation of selected priorities of states' climate commitments to increase the quality of forests and thereby gaining the Co-Benefits from sequestered carbon. The project will help the states of Nagaland and Tripura to establish and implement the regulatory, planning, and implementation framework for leveraging investments in sustainable landscape management through people-centric approach. The governance dimension of the approach emphasizes the importance of forestry and conservation to ensure the premier position of the states in forest cover, biodiversity, and genetic wealth. Similarly, the project seeks to reduce gender gaps in local development decision making and elevate women's participation in it. The development outcomes will be solidified by promoting forest-based products and climate resilient value chains focusing on monetary benefits derived by forest dependent rural communities.

39. **The World Bank's support to planning will facilitate the identification of priority investments and will stimulate consensus building among tribal communities on conservation goals and protection of natural assets.** This will complement the Bank's ongoing support and engagement in Nagaland and Tripura, including the recently approved Tripura Rural Economic Growth and Service Delivery Project. As a global pioneer in forest and natural resources management, the World Bank can bring a unique experience in designing and implementing larger-scale landscape management programs/ projects that anchor capacity building into fully integrated cross-sector investment activities. The World Bank will use its comparative advantage as a repository of knowledge, technical know-how, and financial resources to help Nagaland and Tripura to address current challenges in landscape management. Additionally, the loans to the states will be leveraged by grant funding to MDoNER from PROGREEN multi-donor Trust Fund, managed by the World Bank, and will support the knowledge and learning agenda by consolidating the knowledge and experience of Nagaland and Tripura and creating opportunities for transferring this knowledge to other states as defined in the POMs.

40. **Role of Partners.** The project will be implemented in close cooperation and partnership with development partners that are engaged in forest landscape restoration in the states -- most notably the Japan International Corporation Agency (JICA), the *Deutsche Gesellschaft für Internationale Zusammenarbeit*, the Swiss Development Agency-- to avoid duplication and overlap and maximize the synergies and complementarity of approaches. Additional key partners include the World Overview of Conservation Approaches and Technologies, Indian Council of Forestry Research & Education, Rain Forest Research Institute and affiliated agencies, for research and development activities under the project. The project will also partner with local banks, financial institutions, and several private sector organizations on value chain work under component 3.



F. Lessons Learned and Reflected in the Project Design

41. **The project builds on the results, experience, and lessons learned from the ongoing Bank operations and analytical work supporting forest and landscape management.** These include lessons from operations in East Asia, Europe and Central Asia, Africa and India. The project has also benefited from analyses supported by PROGREEN, focused on various aspects of forestry agenda in India.

42. **Partnerships with communities result in better forest management, reduced forest pressure, and green, resilient, and inclusive development.** Globally it has been well established that when communities have clear stake and role in forest management, the long-term results are better forest quality and spill over benefits to stakeholders. Examples from within India, as well as Mexico, Albania, and other countries, demonstrate that community management arrangements are successful when adapted to local conditions, without compromising the spirit of partnership. Examples from Bangladesh (Climate Resilient Participatory Afforestation and Reforestation Project (P127015) suggest an increase in income of at least 30 percent, a decrease in fuelwood uses exceeding 200kg per month, and incomes approximately 1.5 times higher among project beneficiaries. Similarly, India Meghalaya Community Led Landscape Management Project (P157836) suggests that community-led interventions leverage private equity for forest conservation and enhance the sense of community responsibility and accountability for natural resources conservation. Working with JFMCs/BMCs and other community organizations is thus at the core of the project. The project uses greening and livelihood support activities backed by market assessments, business development support and assisted linkages with the private sector to ensure significant and timely benefit flows to resource users to incentivize them to maintain sustainable resource management practices.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

43. **The implementation arrangements at state level are informed by analyses of the respective institutional context in Nagaland and Tripura.** Specifically, the existing decentralized agencies, namely, the Society for Climate Resilient Agriculture in Nagaland (SoCRAN) and Village Committees in Nagaland, and the SFDA and the JFMCs in Tripura – all integrated within state government structures responsible for sustainable landscape management, will be involved in project implementation. These arrangements provide for leveraging collaboration among the institutional stakeholders and participating communities.

44. **Nagaland will implement project activities through a SPMU established under the Society for Climate Resilient Agriculture in Nagaland (SoCRAN).** The SoCRAN is an autonomous state institution already implementing externally aided projects in sectors such as agriculture, watershed management, and forestry. In addition to the SPMU, three ZMUs will be established in each cluster of five districts to support landscape planning, implementation, supervision, and outreach. At the village level, Village Management Committees (VMCs) will be implementing the project. The project will establish VMCs in all project villages comprising of more than nine members, of which one member will be from existing village-level Biodiversity Management Committee.

45. **Tripura will implement the project through Tripura State Forest Development Agency (SFDA) through a two-tier implementation structure:** (i) the Forest Development Agencies (FDAs) at district levels and (ii) JFMCs/ SHGs at village level. The PMU will be constituted at the SFDA. The FDAs are constituted at territorial/ wildlife forest divisions level. There are 20 FDAs in the state. The JFMCs or the



EDCs are the community institutions at the village-level that serve as the unit responsible for landscape planning and implementation. The VCDIC of TSFRI will lead the implementation of value chain activities.

46. **The MDoNER will be the main implementing agency for sub-component 1.4 while the two participating states will also implement parts of information dissemination and sharing activities.** The MDoNER will establish a Project Implementation Unit (PIU), assisted by an externally recruited team to provide support in conceptualizing, developing, testing, and implementing the knowledge platform for at least the first three years. More details on the implementation arrangements are available in Annex 1.

B. Results Monitoring and Evaluation Arrangements

47. **The monitoring and evaluation (M&E) arrangements aim to ensure effective forest and landscape management in Nagaland and Tripura and for knowledge and learning activities led by MDoNER.** The M&E enables project management and monitoring and corrective measures if needed. M&E is vital to learning and transparency and provides a platform of evidence to inform policy. The main users will be project managers and decision makers in the departments in the two states and at MDoNER. Stakeholders include actors outside of the government sector including private enterprises, local and international non-governmental organizations (NGOs), and development partners, and the international community at large.

48. **The PDO and intermediate indicators** were selected to balance the number of results areas, maintaining a streamlined monitoring critical to keep the project on track. The PDO Indicator on improved landscape management practices is a corporate results indicator, as is the intermediate results indicator on beneficiaries of job-focused interventions, while the indicator on satisfaction with project interventions is a citizen engagement indicator. Several gender and climate resilience indicators have been included, as stated in the indicator definition. PROGREEN is providing funding for the digital platform administered by MDoNER. For results monitoring, the project will use existing data sources and tools. Data from administrative records will be adopted as well as data accessible on relevant websites. Field surveys will be detailed in the M&E section of the POM including the involvement of third parties to plan and undertake the surveys. Lastly, project activity records will be used for some indicators.

49. **The state level PMUs are responsible for M&E and for the necessary data collection, analysis, presentation, and storage.** To ensure timeliness, quality, and reliability of data, the M&E function includes data validation. Furthermore, the M&E provides and interfaces with communication functions of project management allowing for data sharing, interpretation and use in communications products. Capacity building for state level PMUs on M&E use will be provided.

C. Sustainability

50. **The integrated approach to resource governance is foundational for achieving ecological integrity and climate resilience of the landscapes in Nagaland and Tripura.** The project pushes the conservation agenda beyond the frontiers of protected areas through sustainable landscape management linked to local socio-economic development, livelihoods, and production sectors. This approach has the potential to influence future decisions on the use of common resources. Once the efficacy of sustainable practices is demonstrated by the early adopters it will over time become a standard practice of communities. Through support to NBT and NTFP-based enterprises while applying conservation methods in the interventions for sustainable resource management, the project will safeguard the natural capital in the participating states.



51. **Sustainability of interventions is likely to be achieved when communities that directly depend on natural resources are empowered to manage their resources.** The sustainability of landscape management outcomes will be enhanced by the support for improved institutional capacity of public sector and local stakeholders, including the JFMCs/VMCs and other community level organizations, all of which play an essential role in motivating communities to adopt new practices introduced through project interventions. With respect to VMCs in Nagaland, all knowledge (including best practice documents, training manuals), assets, and outputs generated will be transferred to village councils, upon completion of the project, ensuring seamless continuity and continuity of project benefits. The capacity support will build on traditional knowledge on resource management to effectively empower communities to become an effective vehicle for lasting project results. The sustainability of project interventions is further warranted by the commitments of state governments articulated in the state strategic goals for land and forests restoration. The variety of funding provided for interventions in the participating states will facilitate and incentivize the adoption of sustainable business practices. The policy improvements for integrating sustainability principles and standards into planning, and community practices will trickle down into production sectors dependent on community natural resources.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

Technical Analysis

52. **The project approach is informed by India's strategic priorities and global developments in the field of landscape restoration.** The project promotes consensus building among stakeholders with diverse goals and competing uses while aiming to optimize the economic and ecological benefits of common natural resources. Applying established technologies for soil and water conservation, afforestation, agroforestry, and climate-smart agriculture is central to the project interventions. A large body of research on traditional natural resources management practices is available for both states, on which project implementation draws upon. Additionally, the project design is informed by substantial research and analysis over the past 18 months, with support from PROGREEN. These include sectoral work from civil society, private sector for forest landscapes, and analyses about pathways for meeting India's carbon sink targets, etc.

53. **The operation is aligned with the goals of the Paris Alignment for mitigation, adaptation and resilience, while delivering substantial Climate Co-Benefits across components.** The operation is aligned with the goals of the Paris Alignment and India's NDCs for mitigation and adaptation. The risk is low for mitigation and acceptable for adaptation. Most project-financed activities are on the Universally Aligned list for mitigation. Component 1 focuses on institutional capacity strengthening and infrastructure development informed by local climate hazards. Site selection will minimize climate risks, and infrastructure will incorporate weather-proof materials and green-building features like local materials, passive design, rainwater harvesting, and rooftop solar. Nature-based solutions, including spring shed management and check dams, will reduce flooding and soil erosion. A multi-objective Decision Support System will include climate-compatible species to reduce risks like forest fires and pest attacks. Component 2 will integrate climate-resilient infrastructure and agroforestry, enhancing carbon sinks and resilience, with a focus on renewable energy and circular economy practices. Agroforestry, landscape management and value chain development will also be climate informed to enhance overall climate resilience. Component 3 supports sustainable livelihoods through low-carbon value chains,



preventing forest degradation or conversion. The project also aims to create alternative sources of income for forest dependent communities, while promoting afforestation, soil and water conservation, and spring protection, which will eventually lead to strengthening the resilience of the communities and reduce their vulnerability to climate stresses. Investments will follow stringent energy efficiency standards, including Level I EDGE certification for zero emissions and zero discharge buildings, aligning with the country’s NDCs.

Economic and Financial Analysis

54. **The economic analysis estimates the direct and indirect values provided by ecosystem goods and services to society.** Some of these are not directly tradable in markets and thus are not accounted for in the financial analysis. For the ecological or societal benefits not included due to a lack of prices, the analysis uses the floor estimates developed by the Green India State Trust in 2003 and adopts them to the interventions. For carbon, the social cost of carbon per ton of CO₂ equivalent has been used. The expected GHG emission reduction benefits have been estimated through the project’s life (accounting for five years of implementation and 15 years of capitalization) in tons of CO₂ equivalent and have been valued in accordance with the World Bank Guidance Note on the Shadow Price of Carbon (Consumer Price Index (CPI) adjusted, 2023) and these additional benefits have been incorporated into the economic analysis.

55. **The economic and financial analysis foresees that project interventions would result in a benefit stream** derived from: (i) improved quality of timber due to better management of resources, (ii) increased quality and value of NTFP due to improved value chains, (iii) economic opportunities resulting from eco-tourism, (iv) increased biomass and soil carbon sequestration, (v) biodiversity preservation, and (vi) other ecological services. The analysis quantified the flow of ecosystem services until 2043, resulting in a present value of US\$221 million for Nagaland and US\$458 million for Tripura, at a discount rate of six percent. This includes timber, NTFP, ecotourism, carbon, biodiversity, and other ecological services as a benefit from added hectares of Very Dense Forest and state-wide impact of improved NTFP prices. As shown in Table 1, a significant fraction of the project benefits relates to the provision of positive externalities, particularly carbon. Improved NTFP revenues at state level represent the largest market benefit while at the project level ecotourism is benefitted the most by the additional area of Very Dense Forest followed by ecotourism, ecology and then NTFP.

56. **The Project's Economic Internal Rate of Return was calculated for four scenarios that consider different shadow price of carbon and NTFP prices.** See Table 1.

Table 1: Project Economic Internal Rate of Return (percent)

Scenario	State	A. IRR (economic)	B. IRR (A + GHG)	C. IRR (B + ecological benefits)	D. IRR (C + state- wide NTFP)
Low carbon price: Local capture NTFP	NAGALAND	-10%	9%	9%	31%
	TRIPURA	2%	19%	21%	24%
Low carbon price: Regional capture NTFP	NAGALAND	-9%	9%	10%	66%
	TRIPURA	3%	19%	21%	31%
	NAGALAND	-10%	18%	18%	37%



Scenario	State	A. IRR (economic)	B. IRR (A + GHG)	C. IRR (B + ecological benefits)	D. IRR (C + state- wide NTFP)
High carbon price: Local capture NTFP	TRIPURA	2%	30%	32%	33%
High carbon price: Regional capture NTFP	NAGALAND	-9%	18%	18%	73%
	TRIPURA	3%	30%	32%	40%

Source: IIIT Bombay/ Project Team

B. Fiduciary

Financial Management

57. **The financial management (FM) assessment** for the project was conducted in accordance with “Bank Policy – Investment Project Financing and Bank Directive – Investment Project Financing” and the “Bank Guidance Note – Reference Material – Financial Management in World Bank Investment Project Financing Operations” to ensure financial management arrangements are adequate and WB funds are utilized for the intended purpose. The FM arrangements will be agreed upon and documented in the Financial Manual for the project to account for and report on project expenditures.

58. **Budget, Funds Flow, Audit, and Disbursements:** Project funds flow through a separate budget head from Externally Aided Projects to a project-specific parent bank account managed by the state level PMUs, PIUs, and JFMC-wise child accounts at the same Bank in Nagaland and Tripura. Both state level PMUs will coordinate with all PIUs at divisions, sub-divisions, VMCs and JFMCs in the preparation of the budget proposal. The project will incur expenses and seek reimbursement through submission of a quarterly interim unaudited financial report (IUFR) within 45 days of completion of each calendar quarter. Expenditures reported in the IUFR will be subject to an annual project audit and the audit report will be submitted to the Bank within nine months after the close of the financial year. A FM Manual will provide guidance on budgeting, fund authorization, accounting, internal controls, delegation of financial powers, reporting, and audit arrangements.

59. **Disbursement conditions:** The approval of the POM for each participating state, which will include the Community Operational Manual (COM) and the FM Manual as annexes, will be a disbursement condition, as set out in the Loan Agreement, and will include financial management arrangements at the VMC and JFMC level. Matching Grants Manuals for activities under sub-component 3.1 are expected to be prepared within 90 days from the Effective Date.

60. **Retroactive Financing:** Withdrawals up to US\$7.5 million for payments made up to 12 months prior the expected date of signing of the loan agreement, but on or after April 15, 2024, against expenditures incurred, in compliance with the Bank's applicable policies, including procurement procedures, can be claimed as retroactive financing.

61. **Overall fiduciary risk is Substantial.** Due to coordination issues, funding issues, difficulty in finding competent staff, and capacity challenges, the residual financial management risk rating is rated as Substantial. The risk mitigating measures for both states include that: (i) sustainable fiduciary arrangements will be put in place, (ii) qualified PIU staff to manage financial management will be appointed, (iii) a Financial Management Technical Consultant will support the decentralized implementation entities, if found necessary during the initial years of implementation, (iv) support and



assistance to be provided through training of the relevant FM staff, and (v) handholding support from the Bank during the initial years of implementation.

Procurement

62. **Procurement for the project will be carried out in accordance with the World Bank’s “Procurement Regulations for IPF Borrowers for Procurement in Investment Project Financing - Goods, Works, Non-Consulting Services and Consulting Services”,** dated September 2023 (“Procurement Regulations”) and the additional provisions stipulated in the Loan Agreement, Grant Agreement, and the Project Agreements. The project would be subject to the World Bank’s Anticorruption Guidelines, dated October 15, 2006, and revised in January 2011 and July 2016.

63. **Project Procurement Strategy for Development (PPSD) and procurement plans for the first 18 months have been prepared by both states.** The PPSD informs the need to establish strong community procurement systems which will deliver close to 50 percent of the procurements by value and about 80 percent of the procurement by volume. Establishment of strong community procurement systems including oversight mechanism would be guided by the project specific community procurement guidelines as part of the COM. In addition to that, timely award of procurement packages like project management consultancies in both states, project facilitation consultancies in Nagaland, and building works in Tripura would be critical for timely implementation of the project. Therefore, both states will prioritize these procurement packages for tendering under the provision of advance contracting.

64. **Residual project procurement risk is rated as Substantial.** Procurement assessment for both states have indicated that for effective and efficient management of project procurement activities there is need to: (i) strengthen the procurement systems at the level of implementing agencies by improving their procurement planning, tendering and contract management capacity, (ii) ensure compliance of World Bank Procurement Regulations, (iii) establish community procurement guidelines and ensuring their adherence through an effective oversight. For active participation of bidder’s community, there is also a need to establish standard procedures for disclosure of procurement information and management of procurement related complaints.

C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

65. **Environmental and social (E&S) risks and impacts are substantial.** The environmental risks anticipated from the project include (i) localized air and water pollution and increased erosion and runoff and from small civil works of small scale infrastructure development activities such as construction of



check dams, spring-shed rehabilitation, post-harvest storage, small buildings for eco-tourism, etc.; (ii) threats to biodiversity due to increased access to forests and eco-sensitive zones from project activities such as collection of NTFPs and sourcing of materials from forests and eco-sensitive zones for nursery establishments and plantations and development of eco-tourism; (iii) potential increase in human-wildlife conflict due to increase accessibility to the project area; and (iv) water and soil contamination from increased use of pesticides for afforestation, agroforestry, and nurseries promotion which may increase water and soil contamination. Private sector participation in NTFP/HVFP based livelihoods may promote monoculture and use of exotic species to achieve economy of scale which may adversely impact the floral and faunal biodiversity and may also lead to outbreaks of pests and diseases in plantations. The social risks include: (i) potential exclusion of vulnerable groups in planning, selection, decision making, and implementation of sub-projects which can be exacerbated due to presence of 'backward' tribal group in Nagaland and particularly vulnerable tribal groups in Tripura as well as weak capacities of the district and village level institutions to manage participatory processes; (ii) exposure of workers and communities to health and safety hazards from small civil works, pesticide use and human-wildlife conflict; (iii) temporary restriction or limitations on accessing forest resources, conserved areas which may have temporary impact on livelihood. However, physical displacement of tribal households or any adverse impacts on customary tribal lands or cultural properties are not anticipated due to the project activities. The sub-projects and activities envisaged are small to medium scale and community driven, thus the impacts on land, forests, waterbodies, biodiversity as well as health and safety of workers and communities are expected to be localized, temporary, manageable, and reversible. The risks related to sexual exploitation and abuse of sexual harassment (SEA/SH) risks are assessed as moderate using both civil work and social protection SEA/SH risk assessment tools, primarily owing to women's participation in NTFP/HVFP collection in the forest areas and processing activities, participation in skilling and training initiatives for women entrepreneurs. There are several measures to mitigate these risks, including sensitization and awareness of SEA/SH, mapping of service providers related to prevention of gender-based violence, creating a safe space facility, establishing codes of conduct and existing behavioral standards concerning SEA/SH prohibitions, and establishing an Internal Complaint Committee within the implementing agencies, and provisions within the Grievance Redress Mechanism (GRM) to handle SEA/SH-related grievances and ensure the complainants' anonymity. Since the scale of construction is limited, the risk of labour influx for the host population related to SEA/SH related risks is also expected to be minimal.

66. **E&S Risk management:** E&S risks and impacts in each participating state will be managed through state specific instruments and full staffing of qualified E&S specialists in SPMUs and PIUs and continuous capacity building. The following instruments in compliance of the Environmental and Social Framework (ESF) have been prepared and disclosed²: (i) the Environmental and Social Management Framework (ESMF) including the Labor Management Procedures; (ii) the Stakeholder Engagement Plan (SEP); and (iii) the Environment and Social Commitment Plan (ESCP). These instruments are state specific as: of (i) different implementation arrangements and implementing agencies; (ii) specific customary and land ownership rights and governance structures in the participating states; (iii) different constitutional

² The GoN disclosed ESCP, SEP, and ESMF (http://www.elementnagaland.in/resources/project_documentation) on October 18, 2023. The GoT disclosed ESCP, SEP, and ESMF (<https://forest.tripura.gov.in/root/schemepdf/94016fb3cd80.pdf>, <https://forest.tripura.gov.in/root/schemepdf/cb8e6ede3b34.pdf>, <https://forest.tripura.gov.in/root/schemepdf/ef4fd598dc71.pdf>) on September 26, 2023. The MDoNER disclosed the ESCP (<https://mdoner.gov.in/contentimages/files/Environmentaland-Social-Commitment-Plan-dt-12th-December-2023.pdf>) on December 12, 2023. All relevant ESF documents have been disclosed by the World Bank (<https://opsportal.worldbank.org/operations/P179935/opprocessing/roadmap/controlpoint/PRC0912276>) on December 6, 2023.



provisions, and (iv) separate loan/project documents. The ESMFs have include an exclusion/negative list and a robust screening process that prohibits the project financing of any high-risk activities in forests, eco-sensitive zones and Ramsar sites, promotion of monoculture and introduction of invasive alien species, etc. ESMFs also include requirements for statutory clearances, grievance redressal mechanisms, implementation and monitoring arrangements, and generic templates for Environment and Social Management Plans (ESMPs). The ESMFs and SEPs include provisions to ensure that all decisions related to project implementation in a given project area/village are documented in the form of village work-plans, landscape management plans and are *a priori* formally agreed through Community Sub-Grant Agreements before actual implementation. Sub-projects involving physical and economic displacement of tribal households as well as adverse impacts on customary tribal lands, natural resources, cultural property, or leading to social conflict and local opposition are excluded from project support. Small land parcels required for minor civil works, including for setting up value chain modernization, and storage facilities will either be on public lands or those provided by the communities. Provision of land for community initiated/led activities will be a part of the sub-project selection criteria. Environmental and Social risks will be managed through intensive orientation and capacity building of key stakeholders with a focus on community level institutions.

67. **Implementation Arrangement and Capacities:** The Implementing Agencies for the project in Nagaland and Tripura have not been exposed to World Bank's Environmental and Social Framework (ESF). However, both the implementing agencies - the SoCRAN in Nagaland, and the SFDA in Tripura - have direct experience in E&S management through past and current JICA-funded projects which have built some capacities to manage E&S risks. While the district and village level implementing agencies have capacity gaps in assessing and managing the risks, as well as managing participatory processes, they do have experience working closely with Scheduled Tribes and with their multiple customary governing institutions under several government programs. Key capacity strengthening measures include recruitment of qualified E&S specialists in each state level PMU as well as ZMUs, and training and implementation support from the Bank's E&S team on ESMF/ESMP implementation. Each participating states will engage a social specialist with domain knowledge of tribal affairs. The project envisages sensitizing and enhancing capacities of the JFMCs, VMCs, and Village Councils, working with them for forest and biodiversity protection in the identified landscapes. The project will also undertake in-depth and hands-on training for various stakeholders at state, district, block, and village level on E&S risk screening, management, and mitigation related to activities proposed in the village-level Community Landscape Management Plans; approaches and methods for community mobilization; vulnerability mapping, participatory planning, and social inclusion. The MDoNER will develop a platform for regional cooperation, knowledge and information generation and dissemination, and the learnings on implementation of the ESF instruments will contribute to this platform.

68. **Citizen Engagement:** The project has a component of participatory landscape management which requires outreach, mobilization, engagement, and defined roles of communities in planning, implementation, and monitoring of project activities. The SEPs for the two states have been prepared and include: (i) a detailed mapping of stakeholders (communities and institutions, vulnerable households) and their engagement needs with respect to the project; (ii) a communication strategy that use culturally appropriate content, language, and mediums; (iii) tools of engagement to ensure regular information dissemination, dialogue and participation; (iv) capacity development of project teams and village institutions on participatory planning, implementation and monitoring; and (v) provision for a dedicated grievance redressal mechanisms to handle project specific queries, grievances, including those related to SEA/SH and revisiting the GRM periodically to test its effectiveness to respond to the stakeholders



requirements. The project will undertake biennial perception surveys to assess the satisfaction of target beneficiaries. The project will also track accessibility and GRM redressal rates, disaggregated by type (query, request, complaints) and by profile of complainants (location, socio-economic and gender).

69. **Gender:** Assessments demonstrate that women’s participation in local decision-making institutions for community and forest management in is low in Nagaland and Tripura. Currently, there are no women members in the executive committees of the JFMCs in Tripura or the BMCs and the VMCs in Nagaland, even though the guidelines for such institutions mandate 33 percent representation of women in their respective executive committees. Societies in both states are patriarchal and gendered norms have traditionally kept women out of the traditional tribal decision-making bodies in Nagaland, or in the local bodies in Tripura. However, women are engaged in forest and allied economic activities and subsistence-level extraction from the forest for fuelwood, fodder or other NTFP products. Collecting NTFP contributes between 20 to 40 percent to household income, and most of this collection is done by women. Given women’s close engagement with the forest for economic activities, their lack of representation and participation in these committees prevents their say in the management of the natural resources on which their livelihoods are heavily reliant on. Evidence shows that women’s participation in decision-making process of forest institutions leads to more equitable rules that reduce gender-based conflicts over forest access and use.³ To address this challenge, the project will: (i) require the enforcement of the 33 percent representation of women in the executive committees in the 725 JFMC, BMC or VMCs that are expected to be participate in implementation of the project; (ii) train newly positioned women representatives in the executive committees in all these village institutions to build their capacities related to silvicultural and landscape restoration techniques, forest management planning, financial literacy to equip them to be able to effectively perform their roles in these executive committees; (iii) hold gender sensitization trainings for male counterparts in the said executive committees; and (iv) convene standalone meetings among women that allow them to voice their priorities and concerns. To increase the number of women equipped with technical knowledge, the project will mandate that the JFMCs and the BMCs to have 50 percent women’s representation in their respective general bodies, and report regularly on progress on women’s participation.

V. GRIEVANCE REDRESS SERVICES

70. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank’s independent Accountability Mechanism. The Accountability Mechanism houses the Inspection Panel, which determines whether harm occurred, or could occur, because of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the Accountability Mechanism at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank’s Grievance Redress

³ Agarwal, B. (2001). *Participatory exclusions, community forestry, and gender: An analysis for South Asia and a conceptual framework*. World Development, 29(10), 1623-1648.



Service (GRS), visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, visit <https://accountability.worldbank.org>.

VI. KEY RISKS

71. **The overall risk of the project is rated Substantial** given that the risks related to overall institutional capacity for implementation, fiduciary capacity, E&S management are each substantial. With respect to the institutional capacity for implementation, a part of the risks is already mitigated through state government notifications to constitute multi-sectoral committee, chaired by Chief Secretaries of respective states, to steer implementation of the project and to ensure coordination among all relevant state government departments. The residual risks relate to the complex relationships between the state, district/block and local governments in landscape restoration projects that can further slow planning and implementation, remain substantial. These will be addressed mainly through specific activities under Component 1, aimed at strengthening institutional coordination, establishment of decision support systems, and augmented capacity for landscape planning and implementation, recruitment of project management consultants to support overall project implementation, and use of specific technical support consultants for the value chain augmentation activities. With respect to managing the substantial fiduciary risks, a set of actions are already agreed, and is described in detail in Annex 1. With respect to the substantial residual E&S risks, application of the E&S instruments (ESCP, SEP, ESMF) will ensure that the residual E&S impacts remain temporary, limited, localized, predictable, and reversible, and these residual impacts are managed through stringent screening and implementation of mitigation measures through site specific ESMPs. For the full range of E&S risk management measures, see Section D of this document.

72. **Other risks:** The project proposes to use drones in support of resource assessment and in forest fire protection in difficult or far-to-reach areas. The complete scope of this activity is yet to be defined, and a detailed risk assessment of privacy, safety, cybersecurity, and environmental impacts is yet to be completed. Before drones are used or procured under the Project, a risk assessment will be undertaken to ensure all mitigation measures are in place.



VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
Improve landscape management (Hectare (Ha))	
Terrestrial and aquatic areas under enhanced conservation and management (CRI) (Hectare(Ha))	
Nov/2024	Jun/2030
0	54,800
Net GHG emissions (CRI) (tCO2eq/year)	
Nov/2024	Jun/2030
0	434,866
Increase benefits for the forest dependent communities (Number)	
People with increased benefits from landscape-based value chains (disaggregated by gender) (Number)	
Nov/2024	Jun/2030
0	132,500
New or better jobs (disaggregated by gender, youth) (CRI) (Number)	
Nov/2024	Jun/2030
0	66,250
➤ Women (Number)	
Nov/2024	Jun/2030
0	21,863
➤ Youth (Number)	
Nov/2024	Jun/2030
0	61,000
People with enhanced resilience to climate risks (CRI) (Number)	
Nov/2024	Jun/2030
0	900,000
➤ Direct beneficiaries (Number)	
Nov/2024	Jun/2030
0	130,000



➤ Indirect beneficiaries (Number)	
Nov/2024	Jun/2030
0	770,000
➤ Women (Number)	
Nov/2024	Jun/2030
0	390,000
➤ Youth (Number)	
Nov/2024	Jun/2030
0	250,000

Intermediate Indicators by Components

Baseline	Closing Period
Strengthening Capacities for Integrated Landscape Management	
Decision support system operational (Number)	
Nov/2024	Jun/2030
0	2.00
Community groups reached with extension and knowledge products (Number)	
Nov/2024	Jun/2030
0.00	725.00
Conservation and value chain research products developed and disseminated (Number)	
Nov/2024	Jun/2030
0.00	20.00
Women's representation in Executive Committees of JFMCs, EDCs, BMCs and VMCs (Percentage)	
Nov/2024	Jun/2030
0.00	33.00
Share of target beneficiaries with rating 'Satisfactory' or above on satisfaction with project interventions (Percentage)	
Nov/2024	Jun/2030
0	80.00
Restoring Landscapes for Improved Ecosystem Services	
Landscape Management Plans adopted (Number)	
Nov/2024	Jun/2030
0.00	725.00
Land area under restoration- disaggregated by type (Hectare(Ha))	



Nov/2024	Jun/2030
0.00	54,800.00
➤ Degraded agricultural land (Hectare(Ha))	
Nov/2024	Jun/2030
0.00	13,600.00
➤ Degraded forest lands (Hectare(Ha))	
Nov/2024	Jun/2030
0.00	41,200.00
➤ Degraded wetlands (Hectare(Ha))	
Nov/2024	Jun/2030
0.00	84.00
Areas brought under enhanced biodiversity conservation Areas (Hectare(Ha))	
Nov/2024	Jun/2030
0.00	13,021.00
Enhancing Landscape-based Value-chains for Economic Transformation	
Community groups integrated into sustainable HVFP value chains (Number)	
Nov/2024	Jun/2030
0.00	350.00
Forest-based enterprises incubated (disaggregated by women led) (Number)	
Nov/2024	Jun/2030
0.00	200.00
➤ Forest-based enterprises incubated (disaggregated by women-led) (Number)	
Nov/2024	Jun/2030
0	50.00
Producers of HVFPs with improved market access (Number)	
Nov/2024	Jun/2030
0.00	13,500.00
Nature-based tourism policy documents prepared and submitted for approval (Number)	
Nov/2024	Jun/2030
0.00	2.00
Project Management	
Contingency Emergency Response Component	



Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Improve landscape management (Hectare (Ha))	
Millions of hectares of terrestrial and aquatic areas under enhanced conservation and management (Hectare(Ha))	
Description	Climate resilience indicator. Target for Tripura is 41,700 and for Nagaland 13,100. The indicator measures the land area for which new and/or improved sustainable landscape management practices have been introduced, and hereby improving the conservation of biodiversity, sustainable use and enhancement of the flow of ecosystem services. The indicator counts the area for which sustainable landscape management (SLM) practices have been adopted. SLM practices refer to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land. See further the description of indicator 'Land area under restoration -disaggregated by type'.
Frequency	Biennial
Data source	Field based survey on a sample basis
Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Net GHG emissions (tCO2eq/year)	
Description	Net greenhouse gas (GHG) emissions are calculated as an annual average of the difference between the project gross (absolute) emissions aggregated over the economic lifetime of the project and the emissions of a baseline (counterfactual) scenario aggregated over the same time horizon.
Frequency	Biennial
Data source	Forest Survey of India, Ministry of Environment Forest and Climate Change, Government of India.
Methodology for Data Collection	As per Forest Survey of India methodology
Responsibility for Data Collection	State level PMUs
Increase benefits for the forest dependent communities (Number)	
People with increased benefits from landscape-based value chains (disaggregated by gender) (Number)	
Description	Climate resilience indicator. The target for Tripura is 75,000 calculated as 500 JFMCs and 150 people per JFMC; target for Nagaland is 57,500 as 225 villages with 256 people per village. For both states, women constitute 50% of the beneficiaries at project closing. Landscape-based value chains are integrated systems of production, processing, and marketing that link the goods (e.g. firewood, medical and aromatic plants, small timber) and services (e.g. recreation) produced by different actors in a landscape to value-added markets while promoting sustainable land-uses and environmental management. This indicator measures the extent to which local people have seen increase in monetary income (i.e. wage income, profit from enterprises) or non-monetary benefits (i.e. scenic values, firewood supply). Cumulative targets.
Frequency	Biennial
Data source	Field based survey on a sample basis
Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Millions of new or better jobs (disaggregated by gender, youth) (Number)	
Description	The target is 37,500 for Tripura and 28,750 for Nagaland. For both states, 33% of beneficiaries at project closing are women. The indicator measures the number of beneficiaries reached by interventions that contribute to the jobs agenda. <i>Jobs</i> are defined as "activities that generate income, monetary or in



	<p>kind, without violating human rights” (WDR on Jobs, 2013). <i>Jobs-focused interventions</i> are those contributing to the jobs agenda that have an explicitly stated and substantive link to creating more, better, and/or inclusive jobs. <i>More jobs</i> refers to direct and indirect employment linked to increased firm performance, hiring, and/or self-employment/entrepreneurship. <i>Better jobs</i> imply higher productivity and earnings, better benefits, better working conditions, and/or improved income protection, for example.</p> <p><i>Inclusive jobs</i> are those that offer improved access or that benefit from targeted interventions to increase the employability of youth, women, the poor, and other disadvantaged groups. The indicator captures the cross-cutting nature of the jobs agenda, as <i>beneficiaries</i> (disaggregated by gender) may be individuals, workers, households, farmers, microenterprises, small and medium-sized enterprises (SMEs), and other target groups that benefit from Bank Group-supported operations in different sectors and types of operations.</p>
Frequency	Annual
Data source	Project and activity records
Methodology for Data Collection	Account of people participating in interventions to create employment.
Responsibility for Data Collection	State level PMUs
Millions of People with enhanced resilience to climate risks (Number)	
Description	The number of people benefitting directly and indirectly from improved climate risk management and increased climate resilience are due to access to climate-resilient green infrastructure. It is assumed that this is the total number of beneficiaries in Tripura and Nagaland.
Frequency	Annual
Data source	Census
Methodology for Data Collection	Review of relevant census including on disaggregation by women and youth
Responsibility for Data Collection	State level PMUs

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Strengthening Capacities for Integrated Landscape Management	
Decision support system operational (Number)	
Description	The indicator measures whether the decision support system has been designed, established and is operational. Operability is measured by availability of updated data and functionality as the ability to produce standard reports. Annual targets.
Frequency	Annual
Data source	Data and functionality assessment of relevant websites
Methodology for Data Collection	Data and functionality assessment of relevant websites
Responsibility for Data Collection	The indicator measures whether the decision support system has been designed, established and is operational. Operability is measured by availability of updated data and functionality as the ability to produce standard reports. Annual targets.
Community groups reached with extension and knowledge products (Number)	
Description	The targets are 500 for Tripura and 225 for Nagaland. This indicator measures the number of community groups reached with extension and knowledge products through active dissemination of those in campaigns with direct engagement of the community groups. Reached means that the community groups have participated in meetings where the products have been presented and have obtained copies of these. Cumulative targets
Frequency	Annual
Data source	Records of dissemination campaigns
Methodology for Data Collection	Records of dissemination campaigns



Responsibility for Data Collection	State level PMUs
Conservation and value chain research products developed and disseminated (Number)	
Description	The target is 10 for Tripura and 10 for Nagaland. The indicator measures the number of research products (understood broadly to include knowledge products and outputs, innovations and analytics) that have been developed in accordance with the R&D plan and disseminated in line with the Lighthouse India approach and disseminated to other states as defined in the POMs. Cumulative targets.
Frequency	Annual
Data source	Review of research products and dissemination material
Methodology for Data Collection	Review of research products and dissemination material
Responsibility for Data Collection	State level PMUs
Women's representation in Executive Committees of JFMCs, EDCs, BMCs and VMCs (Percentage)	
Description	Gender indicator. The target is 33 percent for both states. This indicator records the participation of women in leadership roles in management of forests and bioresources
Frequency	Annual
Data source	Records of JFMC/BMCs meetings
Methodology for Data Collection	Review of the logbooks and meetings minutes
Responsibility for Data Collection	State level PMUs
Share of target beneficiaries with rating 'Satisfactory' or above on satisfaction with project interventions (Percentage)	
Description	The target is 80% for both states. This indicator reflects demand-side social accountability and measures the level of satisfaction of targeted forest dependent people on project interventions (livelihoods, forest landscape management, other). Annual targets
Frequency	Biennial
Data source	Perception survey on a sample basis
Methodology for Data Collection	Perception survey on a sample basis
Responsibility for Data Collection	State level PMUs
Restoring Landscapes for Improved Ecosystem Services	
Landscape Management Plans adopted (Number)	
Description	The target is 500 for Tripura and 225 for Nagaland. This indicator records the number of rural communities that have prepared landscape management plans. Adoption is by the relevant authority. Cumulative targets.
Frequency	Biennial
Data source	Adoption documents including Landscape Management Plans
Methodology for Data Collection	Adoption documents including Landscape Management Plans
Responsibility for Data Collection	State level PMUs
Land area under restoration -disaggregated by type (Hectare(Ha))	
Description	Climate resilience indicator. Land area under restoration is the area where various interventions have been applied including reforestation, afforestation, agroforestry, ecological restoration and rehabilitation, and may include water management and fire management. Annual targets.
Frequency	Biennial
Data source	Field based survey on a sample basis
Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Degraded agricultural land (Hectare(Ha))	
Description	The target is 8,700 for Tripura and 4,900 for Nagaland. Degraded agriculture land.
Frequency	Biennial
Data source	Field based survey on a sample basis



Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Degraded forest lands (Hectare(Ha))	
Description	The target is 33,000 for Tripura and 8,200 for Nagaland. Degraded forest land.
Frequency	Biennial
Data source	Field based survey on a sample basis
Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Degraded wetlands (Hectare(Ha))	
Description	The target is 50 for Tripura and 34 for Nagaland. Degraded wetlands
Frequency	Biennial
Data source	Field based survey on a sample basis
Methodology for Data Collection	Field based survey on a sample basis
Responsibility for Data Collection	State level PMUs
Areas brought under enhanced biodiversity conservation (Hectare (Ha))	
Description	Climate resilience indicator. The target is 3,821 for Tripura and 9,200 for Nagaland. Enhanced biodiversity protection results from the establishment or upgrading of a functioning management system in protected areas. A functioning management system includes a management plan and the capacity and resources to implement the plan to achieve the area’s biodiversity protection goals. A functioning management system can operate at a basic and a highly functioning level: In a basic functioning management system the management plan, resources and capacities are established at a minimal level to achieve the area’s biodiversity protection goals. In a highly functioning management system the management plan, resources and capacities available in a protected area are beyond the minimal level to achieve the area’s biodiversity protection goals. To verify the existence of a management system and the functioning level thereof, the score that results from completing the Management Effectiveness Evaluation Tool, as follows: If the actual total score for a protected area represents 35% or less of the total possible score, the protected area does not have a functioning management system. Annual targets.
Frequency	Biennial
Data source	Application of the Management Effectiveness Evaluation Tool And adaptations for the community conservation areas
Methodology for Data Collection	Application of the Management Effectiveness Evaluation Tool And adaptations for the community conservation areas
Responsibility for Data Collection	State level PMUs
Enhancing Landscape-based Value-chains for Economic Transformation	
Community groups integrated into sustainable HVFP value chains (Number)	
Description	The target is 250 for Tripura and 100 for Nagaland. This indicator records the number of community groups participating in sustainable HVFP value chain activities including but not limited to processing, packaging, grading, storing, etc. Cumulative targets.
Frequency	Biennial
Data source	Producer Survey
Methodology for Data Collection	Producer Survey
Responsibility for Data Collection	State level PMUs
Forest-based enterprises incubated (disaggregated by women led enterprises) (Number)	
Description	The target is 100 for Tripura and 100 for Nagaland of which the share of women-led enterprises is 25% for both States. This indicator counts the number of SMEs incubated with support from the project and includes forestry, agro-forestry and landscape-dependent enterprises. Incubation also includes access to finance.



	Cumulative targets.
Frequency	Annual
Data source	Record of SMEs supported in incubation that graduated from the incubation status
Methodology for Data Collection	Record of SMEs supported in incubation that graduated from the incubation status
Responsibility for Data Collection	State level PMUs
Producers of HVFPs with improved market access (Number)	
Description	The target for Tripura is 12,500 (calculated as 250 JFMCs with 100 producers each, of which half will participate); for Nagaland it is 5,000 (calculated as 100 VMCs with 50 producers per VMC). The indicator counts the number of producers including collectors for which business development services have been made in expanding market access as producers entered forward agreement with upstream buyers a). market agreement and b) new or improved goods and services. Cumulative targets.
Frequency	Biennial
Data source	Producer Survey
Methodology for Data Collection	Producer Survey
Responsibility for Data Collection	State level PMUs
Nature-based tourism policy documents prepared and submitted for approval (Number)	
Description	The target is 1 for each State. This indicator counts policies and regulations, protocols, and standards relevant to high value eco-tourism, and nature-based tourism drafted with support of the project. It tracks not just new policies/regulations but also existing policies/regulations that have been revised to promote sustainable and nature-based tourism. Cumulative targets.
Frequency	Annual
Data source	Review of policy documents and submission letters
Methodology for Data Collection	Review of policy documents and submission letters
Responsibility for Data Collection	State level PMUs



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: India

Enhancing Landscape and Ecosystem Management (ELEMENT) Project

A. Overall Implementation Arrangements

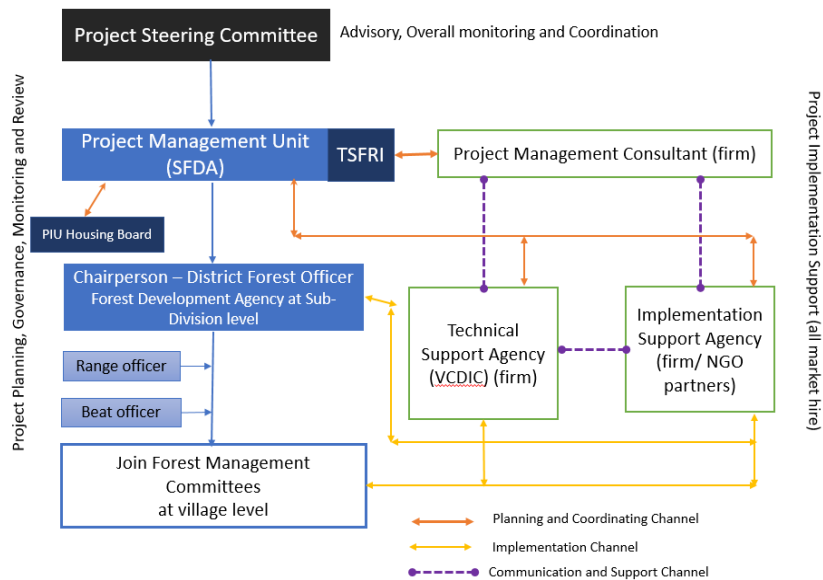
Tripura

1. Project Steering Committee (PSC): The GoT has established a PSC for oversight, guidance, and ensuring effective and efficient implementation of project activities. The PSC will be chaired by the Chief Secretary and includes the Principal Secretaries of all participating line departments. Such vertical alignment and oversight and guidance from PSC will ensure efficient and effective project delivery, facilitate interdepartmental coordination, and pave the way for convergence.

2. Project Management Unit: activities will be implemented by the SFDA in Tripura through a two-tier implementation structure: (i) project SFDA having FDAs at district levels, and (ii) JFMCs/ SHGs at village level. The SFDA in Tripura is a registered society under the Tripura Societies Registration Act, 1860 and functions as a federation of FDAs, constituted at territorial/ wildlife forest divisions level. There are 20 FDAs in the state at the sub-divisional level (under districts). There are two to three FDAs in each District. The SFDA will be responsible for all core and allied activities such as policy support, project implementation, etc., required for regeneration, development and/or management of notified forests and adjoining areas with community participation, including for the implementation of Centrally Sponsored/Central Sector Forestry schemes.

In addition to forestry and allied activities, the SFDA will also undertake other activities such as promoting development of forest dependent or forest fringe village populations to secure their willing and proactive cooperation in enhancing the green cover in the state. A PMU headed by a Project Director (PD) will be constituted at the SFDA and staffed through internal staff from the Forest Department as well as external recruits for management of financial, procurement, M&E, environmental and social issues.

Figure 1.1: Tripura- Project Organogram



3. Project Implementation Unit: The FDAs will act as PIUs (eight districts), and coordinate with respective JFMCs/ SHGs ensuring overall 33 percent women participation. The proposals prepared by the FDAs (by the Sub-divisional forest officer, SDFO) will be reviewed and coordinated by District Forest Officer (DFOs) and forwarded to the SFDA. SFDA’s inter-department committee will scrutinize and approve the



proposals. The approved Plans/Schemes executed by the FDAs (SDFOs) are monitored and coordinated by the DFOs, and then collectively by the SFDA at state level. The JFMC or EDC are community institutions at the village-level to serve as the unit responsible for landscape planning and implementation.

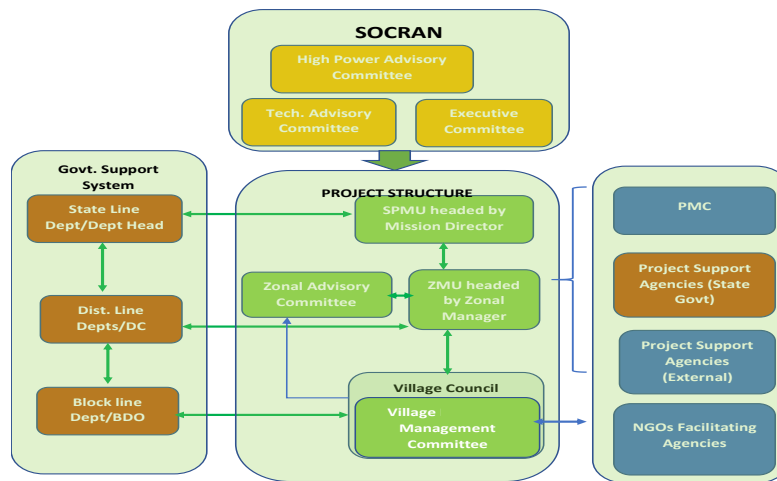
4. **The VCDIC of TSFRI will lead the implementation of value chain development activities**, for unlocking economic transformation opportunities in focused HVFP and agroforestry commodities. The Deputy Director, Value Chain Development (VCD), with support staffs deputed from department of forest will head this cell and lead the implementation with support from a team of professionals (10-12) retained through a professional technical support agency (TSA) with proven VCD experience and work experience in Northeast. The aroma cell will be established in collaboration with one or more technical partners viz., Fragrance and Flavor Development Centre, Kannauj, Directorate of Medicinal and Aromatic Plant Research, Anand, Central Institute of Medicinal and Aromatic Plant Research, Lucknow, etc. This collaborative partnership works will be financed by the project for required specialized staff and capacity development events.

5. **The HCB-PIU will be responsible for implementation of civil works in Tripura**, specifically for construction of the campus for upgrading the Forest Research Unit of the Forest Department to a state-of-the-art Tripura Forest Research and Development Institute. For this purpose, a small PIU will be established within the Housing Board for implementation of exclusively this activity. Figure 1.3 provides project implementation arrangements in the state of Tripura.

Nagaland

6. **The Project will have a three-layer implementation structure in Nagaland.** In addition to SPMU at the state level, three ZMUs will be established. Each Zone will be a cluster of five districts. Within a zone, the typical functions include technical support in the planning and implementation of components 1, 2, and 3, supervision and outreach, social and environmental safeguards, and value chain development. The project will be implemented in 225 villages, each having a VMC. VMCs will be established with representation from different village committees with women participation. Figure 3 presents project implementation arrangements in Nagaland.

Figure 1.2: Nagaland - Project Organogram



7. **An SPMU will be established within the SoCRAN.** SoCRAN is a special purpose vehicle established by the GoN to implement externally aided projects related to agriculture and natural resource management. The SPMU will be headed by a Project Director (PD) who will report to the Agriculture Production Commissioner (APC). The APC will be the mission director for the project. He is also the head of the Technical Advisory Committee of SoCRAN. The PD will be supported by a team of professional staff on deputation from other line departments and experts hired from the market.



8. **SoCRAN is governed by the Executive Committee (EC) of SOCRAN headed by the Chief Secretary of the State.** The EC will function as the PSC. The main function of the EC is to steer and supervise the project; ensure interdepartmental coordination; approve the Nagaland POM, annual work plans, and budget of the project. It will also facilitate convergence with other departments and schemes of the government. The PD will be the member secretary of the EC. The EC will have representatives from relevant government line departments (e.g., Department of Land Resource, Rural Development Department, Nagaland Geographical Information Systems and Remote Sensing Centre, Forest, Ecology, Environment and Wildlife Department, Soil and Water Conservation Department, Department of Agriculture, Horticulture Department) and partner agencies within the state (e.g., resource Missions such as bamboo, bioresource, honey, biodiversity boards, MSME, etc.). The structure is superimposed by an Advisory Committee, chaired by the Chief Minister of the State and responsible for administrative and financial policy matters.

9. **Other implementation arrangements:** In both states, the project will finance: (i) professional agency (Project Management Consultancy) in project management with key skills of finance, procurement, M&E, communication, social and environmental safeguards, as needed, to support the state level PMUs in project implementation; (ii) specialized TSA to support implementation of Component 3 on value chain development; and (iii) NGOs with local presence to support implementation of the project at community/village level and act as bridge between communities and implementing agencies. A Grievance Redress Mechanism will be established. Technology will be extensively used for planning and implementation of the project, best practices for landscape management will be adopted, internalized, and shared with an effective knowledge management and communication strategy.

10. **The POM will include measures** to ensure that project's activities involving collection, storage, usage, and/or processing of Personal Data are carried out with due regard to the Borrower's existing legal framework and appropriate international data protection and privacy standards and practices.

B. Financial Management

11. **Financial Management Arrangements:** The project will be implemented in Tripura by the State Forest Development Agency (SFDA) society, Tripura Housing and Construction Board (TH&CB) for major civil works. Society for Climate Resilient Agriculture in Nagaland (SoCRAN) under APC of Nagaland will be the implementing agency. The trust funded activities will be implemented by MDoNER. Nagaland and Tripura implementing agencies are societies and are registered under the Societies Registration Act 1860 (No. XXI of 1860).

12. **At the SFDA, Tripura, and SoCRAN, Nagaland, separate PMU will be created and headed as PD by an IFS officer at Tripura and IAS officer at Nagaland.** The PDs of respective states are supported by a designated nodal officer from the PIUs at district level to oversee their activities, by staff deputed from the Department and contractual staff to manage financial, procurement, environmental, and social safeguards matter. Overall responsibility will be with the state implementing agency. PDs will manage the overall planning, budget allocation, coordination, and monitoring of the project. Both state level PMU offices will have the overall responsibility of maintaining the FM system and ensuring that these functions are carried out in accordance with the project's legal agreement.

13. **Budgeting and Fund Flow:** Project funds will flow through a separate budget head in Nagaland and Tripura, into a separate project bank (parent account) of SFDA and SoCRAN and a zero-balance bank account (child account) in the same bank at PIUs and JFMC, and VMC level. MDoNER funds will flow through a separate budget head and all payments will be processed through the Treasury Department.

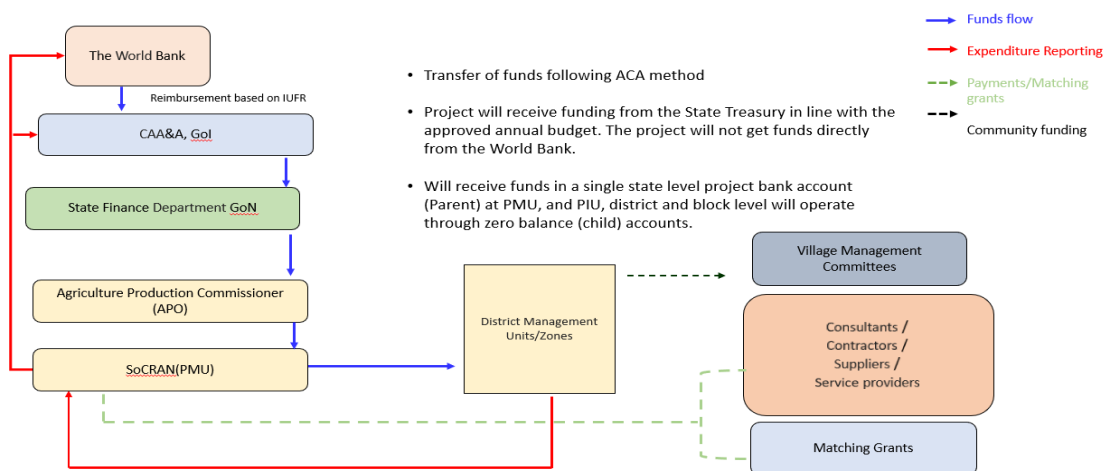


Budget

14. Nagaland: The PMU of SoCRAN will be responsible for preparing the Annual Work Plan and Budget for the Project by consolidating the Annual Work Plan and Budgets of all ZMUs which will be based on village level activities as proposed by VMCs and will be submitted to the GB and EC. Once approved by the GB/EC, the annual budget proposal will be submitted to the Finance and Planning Department, GoN.

15. Tripura: The PMU at SFDA will coordinate with all PIUs and JFMCs/SHGs, TH&CM in the preparation of the Annual work plan and budget proposal and submit it to their Governing Body (GB) and EC. Once approved by the GB/EC, the annual budget proposal will be submitted to the Finance and Planning Department, GoT.

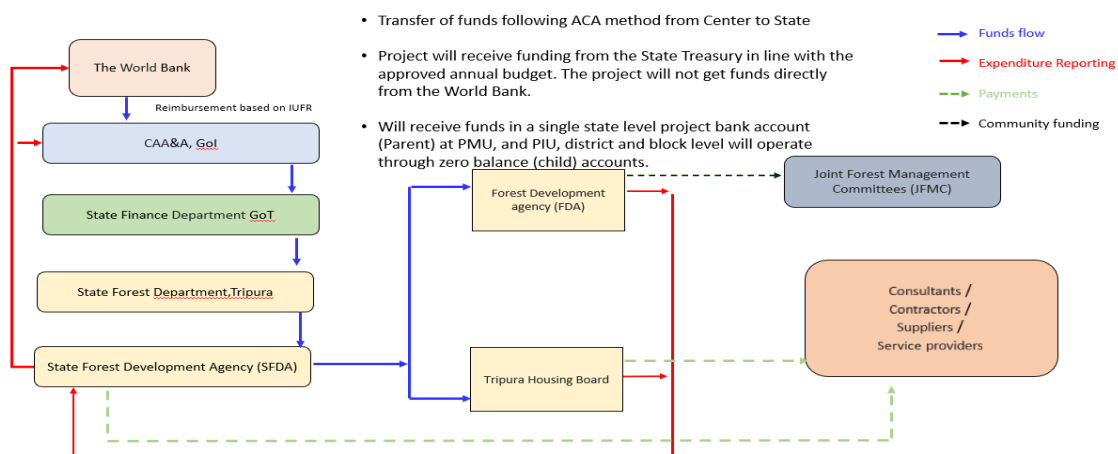
Figure 1.3: Fund-flow mechanism for the Project in Nagaland



16. MDoNER will submit a budget request based on the Annual Work Plan and Budget for the activities to Finance department.

17. Fund Flow at both Agencies and MDoNER: Following budget sanction, state level PMUs will draw funds and deposit them into a Project specific bank account (parent account) and a zero-balance bank

Figure 1.4: Fund-flow mechanism for Project in Tripura





account (child account) in the same bank at PIUs and JFMC, and VMC, TH&CB level. The PD will allocate budget limits to the PIUs/ZMUs and JFMCs, TH&CB in accordance with the approved annual work plan. The fund flow mechanism that will ensure proper use of project funds and benefits of such a system include no idle funds at any of the PIUs and JFMC levels. Project related payments at MDoNER will be processed through the Treasury Department.

18. **Finance and Accounts Staffing:** A dedicated financial management team will be established in both state level PMUs and MDoNER. The team will be headed by a Senior Officer from State Finance & Accounts or from the department. The officer will be supported by a dedicated accounts officer, Accountants, and assistant accountants for the project purposes. The FM staff shall ensure that all project-related FM requirements are complied with, which will include preparation of interim unaudited financial reports, follow-up and submission of audit reports, availability of sufficient funds for the project, and so on. At the PIU (district) level, the accountant supported by other accounting staff will be used for the purposes of the project. Given the capacity and availability of manpower at both states a FM consultant shall be hired to support the FM functions. The FM staff working on the project will be suitably trained on World Bank FM, contract management, maintenance of contract tracking data, disbursement procedures, and on other FM areas that will help them in fulfilling their responsibilities.

19. **Accounting, reporting, and disbursements:** The reimbursement model will be followed under the project in both states. The project will first incur expenditures through budgetary funds and then seek reimbursement from the World Bank through the submission of a quarterly interim unaudited financial reports (IUFRR). The books of accounts will be maintained in a computerized accounting system, with a separate PIU general ledger account to record project-related expenditures. All PIUs, including district units and JFMC-level units and TH&CB, will have access to the system for recording project-related financial transactions. Accounting will be done on a cash basis using government systems, and the project will report only the actual expenditure incurred under the project. On a monthly basis, both state level PMUs will reconcile the accounts with all PIUs and submit consolidated IUFRR quarterly within 45 days after the completion of each quarter to the bank for reimbursement. The expenditure reported in the IUFRRs will be subject to an annual project audit.

20. **Grants/Sub-grants community-led activities (SFDA and SoCRAN)-** The project will primarily finance sub-grants for participating VMCs in Nagaland and JFMCs in Tripura for community-based activities. The sub-grants will be released as per the Annual Work Plan agreed and approved by state level PMUs and the World Bank and in accordance with Community Sub-Grant Agreements. VMC and JFMC will implement activities with the support of the project facilitating agencies (NGOs) and ZMU of the project. The Plans will be proposed by the respective Village Council and subsequently by the GB/EC as per the guidelines provided and approved by state level PMU.

21. **The following key FM principles will apply across the project** for this category of expenditure:
- i. A Community Operations Manual will be developed which will govern the operating procedures on the use and monitoring of grant funds.
 - ii. Funds provided under sub-components 2.2 and 3.2(b) (ii) of the project for JFMC and VMC will be made in accordance with community sub- grant agreements for the approved and appraised project activities. All fund releases will be made electronically directly into the bank accounts and will be accounted for as disbursed under the project.
 - iii. There will be a proper segregation of duties on the FM functions relating to procurement, payment, and accounting among the elected members of the VMC and JFMCs. VMC / JFMC



- required to maintain separate books of accounts for the project funds, establishing a clear linkage with the project expenditure, such financial records will be kept for subsequent audit and verification. Respective PIUs, district and block level offices will exercise oversight, ensuring that proper books of accounts along with supporting documents are maintained.
- iv. The VMC will submit a utilization certificate to the district PIU before 10th of every which will be endorsed by the district PIUs and subsequently forwarded to the state level PMU.
 - v. The monitoring on end use of funds and compliance with the terms and conditions of the community sub-grant agreements will continue to be undertaken by the state level PMU and with the support of the PIUs and ZMUs on an ongoing basis.
 - vi. The VMC/JFMC accounts will be subject to statutory audits as required by participating state laws. The audit reports will be monitored by the respective district and block units and take necessary action. The audit reports will be made available to the Bank when needed. PIU/DIUs/Blocks will monitor actual utilization of funds and track closing balances. Any funds that remain unutilized or unspent at the close of the project should be refunded. The project will provide handholding support to accounting technical team (bookkeepers, accounting hubs, etc.) of the VMC/JFMC to help maintain accounting records and prepare monthly or annual financial statements.

22. **Matching Grants Component 3.1:** Eligible enterprises and beneficiaries will receive matching grants under Component 3.1 (c) (iv) to enhance their businesses by using good practices. Matching grants to the eligible beneficiaries will be made as per the agreement between implementing agencies and eligible enterprises, and the financial management arrangements for the matching grants will comprise the following:

- i. A matching grant manual will be developed, which will govern the operating procedures for the use and monitoring of grant funds.
- ii. Payments for matching grants will be based on agreed milestones and achievements, with submission of certification of achievement required for each milestone. These milestones and the payment installments will be defined in the agreements. The implementing agency will release funds to eligible enterprises and beneficiaries upon achievement, seeking reimbursement from the bank.
- iii. All fund releases will be made electronically directly into the bank accounts of the eligible enterprises and beneficiaries, and it is mandatory that proper books of accounts are maintained and that the submission of an audit report to the IA be mandatory. It is the responsibility of the implementing agencies to take the necessary action in case of any audit observations or discrepancies.
- iv. Any income or savings that arise during the period would be used only to meet expenditures on operations and maintenance or to enhance the value of the assets created under the program, as agreed by the implementing agencies and the bank collectively. This requirement has been documented in the matching grant agreement.
- v. The release of the payments will be subject to (i) the signing of the agreement; (ii) the opening of a separate bank account; (iii) the deposit of cash contributions for each milestone into the bank account; (iv) the maintenance of proper books of accounts; (v) the certification of the achievement of physical milestones; and (vi) the submission of an audit report.



- vi. Eligible enterprises and beneficiaries will maintain account records and registers as follows: (i) cash or bank books; (ii) contributions received in cash, labor, or materials; (iii) materials purchased and utilized. In addition, the beneficiary will retain all vouchers, bills, and supporting documents and ensure that the bank pass books are regularly updated.

23. **Disbursement:** Reimbursement model will be followed under the project. SFDA, TH&CB, SoCRAN and MDoNER will incur an expenditure and seek reimbursement from the World Bank through submission of a quarterly IUFR. The expenditure reported in the IUFR will be subject to an audit carried out by the state office of the Comptroller and Auditor General of India (CAG) as per terms of reference already agreed between the Bank and CAG. All supporting records and documents related to the project would be subject to this audit. The annual audit report would consist of (i) annual audited project financial statements; (ii) audit opinion; and (iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. The annual project audit report and accounts would be submitted to the Bank by December 31 each year. Any difference between the expenditures reported in the IUFRs and those reported in the annual project audit reports would be analyzed, and those expenditures that are confirmed by the Bank as not eligible for funding would be adjusted in the subsequent disbursements.

24. **FM Manual** will be developed to provide guidance on budgeting, fund authorization, accounting, internal controls, delegation of financial powers, reporting, and audit arrangements. The FM Manual will serve as a handbook for the project's duration and be applicable to all PIUs and JFMCs, with payments vetted and approved in accordance with respective participating state financial rules (Tripura- Delegation of Financial Powers Rules DFPR-2019 and SoCRAN, Nagaland by-laws and its own financial rules).

25. **Internal audit and control:** Project design includes internal auditing as an important factor and applicable to both projects implementing agencies at participating states. Half-yearly internal audit reports prepared by qualified firms of chartered accountants will be submitted within 45 days of the period for which audit is undertaken. The reports will include an executive summary outlining important issues, internal control measures, and the status of action on the previous audit report. It will be placed before the EC/GB for approval or review.

26. **External audit:** An audit of the project at both participating states implementing agencies including TH&CB, will be carried out by a firm of chartered accountants appointed by the Comptroller and Auditor General of India (CAG) and CAG will carry out the audit of the expenditure incurred by MDoNER. The audit will cover project transactions undertaken by the state level PMU, PIUs/ZMUs and JFMC in accordance with the standard terms of reference agreed with the World Bank and CAG. The state level PMUs will share the annual audited report with the Bank within nine months of the end of each financial year, which is December 31st. All supporting records and documents related to the project would be subject to this audit. The annual audit report would consist of i) annual audited project financial statements ii) audit opinion; and iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. Any difference between the expenditures reported in the IUFRs and those reported in the annual project audit reports would be analyzed, and those expenditures that are confirmed by the Bank as not eligible for funding would be adjusted in the subsequent disbursements.

27. **Sub-Component 1.4- Knowledge and information sharing and innovation:** This sub-component will be implemented by the MDoNER (while the two participating states will also implement parts of information dissemination and sharing activities), and funds will flow through a separate budget head created especially for this project and use the treasury system for all payments. The PD at MDoNER will



be supported by full time contractual staff for procurement, financial management, and safeguards or deputed officials for this project. Separate cashbook and ledger accounts would be maintained to record expenditures incurred under the project.

28. **Overall fiduciary risk:** Due to coordination issues, funding issues, difficulty finding competent staff, and capacity challenges, the residual financial management risk rating is rated as "substantial."

29. **Risk mitigating measures:** The risk mitigating measures suggested for both states are: (i) sustainable fiduciary arrangements will be put in place; (ii) qualified PIU staff to manage financial management will be appointed; (iii) a FM Technical Consultant will support the divisions and sub-divisions during if find necessary for initial years; (iv) support and assistance will be provided through training; and (v) handholding support will be provided during the initial years of implementation.

C. Procurement

30. **Procurement Method and Prior-Review Thresholds.** Unless otherwise agreed by the Bank in the procurement plan, the thresholds (identified based on PPSD) indicated apply to the initial 18 months of implementation period and are based on the procurement risks and performance of the project; these thresholds may be subsequently modified.

- a) **There is no automatic requirement to undertake prior review for direct selection for value less than above specified thresholds.** The determination of whether a contract meets the procurement prior review threshold is based on the estimated value of the contract or the package -when the selection document contains more than one lot/slice, including all taxes and duties payable under the contract.
- b) **The Bank's Standard Procurement Documents** shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in Systematic Tracking of Exchanges in Procurement (STEP).
- c) **Procurement related complaints shall be immediately entered in the STEP system and resolved in accordance with provision specified under Annex-III of Procurement Regulations.**
- d) **National Procurement Arrangements:** National competition for the procurement of works, goods, IT system procurement and non-consulting services according to the established thresholds will be conducted in accordance with paragraphs 5.3–5.5 of Section V of the Regulations and the following provisions:
 - i. Only the model bidding documents for National Competitive Procurement (NCP) agreed with the GoI Task Force (and as amended for time to time), shall be used for bidding.
 - ii. Invitations to bid shall be advertised on a widely used website or electronic portal with free open access at least 30 days prior to the deadline for the submission of bids, unless otherwise agreed in the approved procurement plan.
 - iii. No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises, or enterprises from any given state.
 - iv. Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder.



- v. Government e-Marketplace (GeM) set-up by Ministry of Commerce, Government of India will be acceptable for procurement under Request for Quotation method.
 - vi. At the Borrower's request, the Bank may agree to the Borrower's use, in whole or in part, of its electronic procurement system, provided that the Bank is satisfied with the adequacy of such system.
 - vii. Procurement will be open to eligible firms from any country. This eligibility shall be as defined under Section III of the Procurement Regulations. Accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section III of the Procurement Regulations.
 - viii. The request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals include a signed acceptance in the bid, to be incorporated in any resulting contracts, confirming application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights.
 - ix. The Borrower shall use an effective complaints mechanism for handling procurement related complaints in a timely manner.
 - x. Procurement Documents will include provisions, as agreed with the Bank, intended to adequately mitigate against environmental, social (including sexual exploitation and abuse and gender-based violence), health and safety risks and impacts.
- e) **Domestic preference:** The provision of domestic preference for Goods may be applied in the evaluation of bids in accordance with Annex VI of the Procurement Regulations.
- f) **E-procurement system:** Tenders Tripura (<https://tripuratenders.gov.in/nicgep/app>) and Tenders Nagaland (<https://nagalandtenders.gov.in/nicgep/app>) which are designed, developed and hosted by NIC shall be used for all works, goods and non-consultancy services by the respective agencies, unless otherwise agreed with World Bank on case to case basis. For procurement of consultancy services, the use of e-procurement shall be subject to Bank's approval based on capacity building on e-procurement. NIC based e-procurement system has been already assessed and found acceptable for the Bank IPF financing.
- g) **Use of GeM** will be allowed in lieu of Request for Quotations as per following details:
- i. Up to INR50,000 in catalog mode (viz. any available item could be selected by Implementing Agency without further competition), provided selected Item/Supplier meeting the requisite quality, specification, and delivery period.
 - ii. Up to INR3 million from the Supplier having lowest price amongst at least three Suppliers meeting the requisite quality, specification, and delivery period. The tools for online bidding and online reverse auction available on GeM may be used by the Purchaser.
 - iii. Up to INR8 million from the Supplier having lowest price and meeting the requisite quality, specification, and delivery period after mandatorily obtaining bids from at least three Suppliers, using online bidding or reverse auction tool provided on GeM.
 - iv. While making use of GeM portal, Borrower shall make use of Special Terms and Conditions meant for World Bank financed projects.



Table 2: Procurement Risk Mitigation Measures

Areas to Strengthen	Measure	Timeline	Responsibility
Procurement Staffing of Implementing Agencies	Ensuring adequate procurement staffing at key implementing agencies. (a) Minimum 02 procurement experts at Tripura SFDA (b) Minimum 01 procurement expert at TH&CB (c) Minimum 02 procurement experts at SoCRAN Nagaland (d) Minimum 01 procurement expert at MDoNER	No later than 02 months from project effectiveness	<ul style="list-style-type: none"> • SFDA Tripura • Tripura Housing & Construction Board, Tripura • SoCRAN Nagaland • MDoNER
Compliance on World Bank Procurement Regulations	Training each procurement expert on World Bank’s Procurement Framework	Within 03 months of Project effectiveness	<ul style="list-style-type: none"> • SFDA Tripura • TH&CB, Tripura • SoCRAN Nagaland • MDoNER
	Mandatory use of World Bank’s Model and Standard Procurement documents	Continuous	Implementing agencies
Consistency of practice in community procurement	Prepare state specific community procurement guidelines as part of community operation manual consistent with World Bank Procurement Framework	Same as applicable for Community Operation Manual	<ul style="list-style-type: none"> • SFDA Tripura • SoCRAN Nagaland
Oversight at community procurement	Engage an auditor at each state to conduct procurement post review for community-based procurements as per the Terms of Reference agreed with Bank’s task team.	Within 12 months of Project effectiveness	<ul style="list-style-type: none"> • SFDA Tripura • SoCRAN Nagaland
Procurement related complaint handling mechanism	Establish a Procurement Related Complaint Handling Mechanism at each state, compliant with requirements of World Bank Procurement Regulations	Within 02 months of Project Effectiveness	<ul style="list-style-type: none"> • SFDA Tripura • SoCRAN Nagaland
Disclosure of procurement information	Timely disclosure of procurement related information in public domain as per requirements of World Bank Procurement Regulations	Continuous	All implementing agencies