



1. Project Data:		Date Posted : 03/25/2005	
PROJ ID: P052080		Appraisal	Actual
Project Name: Sustainable Forestry Investment Project	Project Costs (US\$M)	15.0	13.5
Country: Nicaragua	Loan/Credit (US\$M)	9.0	8.51
Sector(s): Board: RDV - Forestry (68%), Central government administration (32%)	Cofinancing (US\$M)		
L/C Number: C3160			
	Board Approval (FY)		99
Partners involved :	Closing Date	03/30/2003	06/30/2004

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2. Project Objectives and Components

a. Objectives

The project had two development objectives :

- (1) To improve the capacity of both of the public and the private sector to address long -term forestry development issues in Nicaragua,
- (2) To develop alternative schemes to address long -term forestry issues in Nicaragua .

Envisaged as the first phase of a long -term effort to improve forestry management and foster private sector development, the project would start to establish the basis for improved forestry management by promoting environmentally sound private sector investments, by improving the business environment, by reducing the perception of risk in forestry sector activities, and by helping to define forestry institutional policies and reforms through a participatory process .

b. Components

The project had four components :

- (1) *Technical Assistance to Private and Communal Sector Forestry* (US\$2.7 million or 18 percent of cost: actual expenditure US\$2.56 million). This component was aimed at establishing a capacity that would allow the realization of the improved management of forest and land resources in Nicaragua in the short run, and to provide the experience, knowledge, organizational and institutional basis on which a scaled up forestry program could be based in the longer term.
- (2) *Assistance to Forestry Sector Institutional reform* . (US\$1.3 million or 9 percent of cost: actual expenditure US\$2.09 million). Support to MAGFOR to discharge its legal mandate as the responsible Government entity for forestry. The component was planned to finance technical assistance, training, studies, public consultations and publications.
- (3) *Pilot Subprojects* . (US\$10.0 million or 67 percent of cost: actual expenditure US\$7.73 million) The component was to provide grants to finance, on a cost-sharing basis, a program of activities to develop and test innovative measures to find solutions to forestry sector problems, including innovative models for reforestation and land rehabilitation, forest resource management, increasing decentralization of forestry functions, public -private sector partnerships, and creative financing mechanisms for sustainable forest management and reforestation .
- (4) *Project Administration* . (US\$1.0 million or 7 percent of cost: actual cost US\$ 1.13 million).

c. Comments on Project Cost, Financing and Dates

The credit was fully disbursed in SDR terms . The dollar shortfall was due to changes in the value of the dollar vis-a-vis the SDR. The closing date was delayed for a total of 18 months, largely because of a general suspension of disbursements to Nicaragua in 2002 .

3. Achievement of Relevant Objectives:

- (1) With the support of the project, Nicaragua has improved its institutional capacity and arrangements, developed a clear forest management strategy and policy, and promulgated an effective forest law and norms . The forestry law, which was approved in 2003, clearly defines the roles and responsibilities of the different organizations and

stakeholders involved in forest resource management .

(2) The project financed the implementation of 49 subprojects, which represented strategic interventions to demonstrate alternative schemes aimed at drawing lessons that would address future forest management throughout the country. These supported (a) diversification of products within existing forest and rangeland; (b) improved quality of wood products in tree plantations; (c) reforestation activities; (d) reduction in the consumption of fuel wood through the use of improved kitchen stoves; (e) introduction of improved management in existing forest lands; (f) defining and piloting carbon sequestration for international financing; (g) introduction of new technologies into nurseries and for seedling production and; (h) housing construction using bamboo trees from silvo -pastoral and agro-forestry farms.

4. Significant Outcomes/Impacts:

The project has brought about a shift in attitude among rural dwellers by demonstrating that sustainable forest management does not preclude generating economic benefits . Previously, forests were perceived as impediments to the expansion of the agricultural frontier . Now they are seen as an economic, social, and environmental resource, and a source of potential livelihood earning . The project has also brought about a new thinking in the public sector . Previously, the public sector had been geared towards control and enforcement without incentive mechanisms to change the perception and culture of rural dwellers .

The project has had a substantial institutional development impact, including the formulation of forest policy, the development of new forest law, the elaboration of a long -term forestry development plan, the development of a forest management strategy, and the simplification of legal requirements, rules, and norms, for example, relating to registration and certification . These were developed through extensive consultation and consensus -building among the principal stakeholders .

The 49 pilot subprojects -- which developed and tested innovative activities and new mechanisms for finding solutions to priority forestry sector problems and for rehabilitating selected micro -watersheds -- were instrumental in improving the capacity of participating organizations (private sector, NGOs, learning institutions, communities, and municipalities) in the management of their respective forest lands and forestry activities . The ICR grouped these 49 projects into six broad categories: (a) expansion and conservation of forest lands through reforestation with multiple use, mixed and pure plantations with different technologies, control and prevention of forest fires, and with improved tree seedlings; (b) establishment of agro-forestry and silvo-pastoral systems; (c) sustainable management of forests, both natural and secondary and development of forest management plans; (d) development of forest products through processing and commercialization; (e) research and studies to help in product marketing, etc ., associated with the above four categories; and (f) emergency works in natural disasters and construction works .

5. Significant Shortcomings (including non-compliance with safeguard policies):

There is little sense of priorities in the ICR among the range of subprojects undertaken by the project, and the ICR could have been clearer about the criteria and the process by which the subprojects were selected . As a result it is difficult to assess the relevance of each and it is not clear whether those which were most closely linked to the primary objectives were most successful . No doubt all them had value, but they could not all have been equally valuable.

The design of the project was not fully reflected in the Logical Framework and the Bank team could have developed a better list of impact and output indicators . It was not clear from the ICR that the indicators in Annex 1 were formulated at the time that subprojects were selected for financing .

The rapid turnover of Ministers of Agriculture (in one year there were five ministers!) must have contributed to this lack of priority setting, as well as a more general lack of continuity of operations .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(1) Sustainable forestry development should take a holistic approach that also addresses the issues of land security

and agricultural productivity .

(2) Establishing sustainable forest management institutions should involve the effective and meaningful participation of stakeholders in their design .

(3) New technology transfers that are appropriate and divisible are not necessarily expensive .

(4) A project that finances subprojects with matching grants and that operates in areas with disadvantaged or special groups (or with activities in which they are significantly involved) should earmark funds for these groups .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR covers most of the bases and is satisfactory . In addition to a couple of comments above, the ICR could have been clearer in a couple of areas:

- The formulation and legal codification of the new forest strategy is a major accomplishment . But it is not clear, even from the extensive discussion in section 4.5 precisely what are the major elements of the new forest strategy.
- The PAD gave one classification of subprojects -- into (1) private and communal sector forestry initiatives and (2) technology introduction and verification initiatives . The ICR gave two other classifications (listed above) in paragraphs 4.1.19 and 4.2.7. The relationship between these different classifications is not clear .