CONCEPT NOTE
HIMACHAL PRADESH FOREST FOR PROSPERITY PROJECT

PROPOSED PDO/RESULTS

A. Proposed Development Objective(s)

1. **PDO:** To improve management and community use of forests and alpine pasture at selected sites in Himachal Pradesh.

B. Key Results (a description of the results indicators is included in Annex 2)

PDO indicator #1: Area of forest managed in accordance with site-specific management plans (ha).
PDO indicator #2: Value-addition of selected commercial NTFPs (USD).
PDO indicator #3: Alpine pasture area with signs of degradation (ha).
PDO indicator #4: Public Performance Review of Forest and Alpine Pasture Sectors (number).
PDO indicator #5: Share of rural population in selected areas with rating 'Satisfied' or above on Project interventions (%).
PDO indicator #6: Public funds leveraged for improved management of forests and alpine (value expressed in USD or Indian Rupees).

PROJECT CONTEXT

A. Concept

1. Description

2. By making forest service provision programs more effective, and strengthening the roles of communities and the private sector in forest-related activities, the Project will contribute to the states' economic development goals, but also lay the foundation for broader benefits. Improving the effectiveness of afforestation programs will, for example, improve the effectiveness of Central government allocations to the state for afforestation such as those made under the Compensatory Afforestation Management and Planning Authority (CAMPA) fund. Given that, as per the 14th Finance Commission, 7.5 percent of the allocations to states are based on the state's forest quality, by helping HP improve its forest quality, the Project will help increase the fiscal allocations to the state and thereby the overall state budget for development programs. Improved forest quality will also lead to increased carbon sequestration, helping HP meet its state climate policy goals, and contribute to the achievement of India's NDC targets.

Component 1. Improving forest sector service provision by HPFD (30 M)

Sub-Component 1.1: Improve forest and pasture management

3. This sub-component will finance a subset of key investments, including the procurement of goods, to improve forest and pasture management, forest quality, and community involvement, such as:

(i) **Development of nurseries and improvement of seed orchards using state-of-the art technologies**. This will include investments in: (a) the development of nurseries across

the state (the potential of private sector participation will be explored during preparation); (b) the improvement of seedling techniques used in nursery enhancement; and (c) the development of seed collection, grading, and certification facilities to improve the genetic quality and ecological suitability of seeds. PPP schemes will be explored during Project preparation.

(ii) **Establishment of new plantations and enrichment planting.** This activity links closely with the activity described above by helping to improve forest quality and density through adaptive planning and management, targeted investments at selected sites, and the use of improved techniques and models. International experience indicates that much better survival rates can be achieved if this is done through partnerships with local communities that go beyond labor contracts for planting. Benefit sharing arrangements that allow communities to harvest the productive assets in years to come are needed. The Project will analyze different schemes to promote communities' participation during preparation.

(iii) **Digitalization of forest boundaries.** In HP, this is a relevant activity as most of the land of the state belongs to HPFD and thus there is always a good amount of delay on the development of any associated infrastructure or other activities due to land use clarity between HPFD and Revenue Department's claims and counter claims. HPFD faces challenges in implementation of its own plans due to non-demarcation of clear boundaries. This activity will help state to understand forest and revenue demarcations clearly to set the process for boundary pillar exercise by the HPFD beyond the scope of this Project.

(iv) **Infrastructure for forest fire detection and equipment for forest fire suppression.** This activity will lead to a comprehensive forest fire detection, response and management action plan. The detection of forest fire will be linked to the state's Forest Management Information System (FMIS) for detection and response in real time, and to ensure a better alignment with the existing systems at the at national level. Infrastructure for forest fire detection and equipment for forest fire suppression would include clothing, tools and vehicles.

(v) **Improvement of pastures management.** These activities seek to augment the management of and community benefits derived from pastures, particularly alpine pastures above tree line that are managed by the HPFD and are often degraded through a set of actions that will address planning and other institutional constraints and finance key investments in the field. These activities will involve the development of new and upgrading of existing pasture management models for high altitude pastures, low lying pastures, and forest lands. They will be jointly implemented by the HPFD and the PFM committees. Specific mechanisms to pilot the proposed models though specific investments will be identified during Project preparation, including the potential flow of funds to communities to support the implementation of the pilots.

Sub-Component 2.2 – Strengthen technical capacity

4. This sub-component seeks to improve the technical capacity at the HPFD, the availability of data/information, and planning and monitoring to help both generate increased revenues for the state and ultimately improve the quality of forest cover. This sub-component will also help strengthen technical capacity to improve the effectiveness of on-going and future investments in plantation and pasture management. The sub-component will finance technical assistance activities, procurement of goods (equipment), and some key investments, such as:

a. **Strengthen forest management information systems (FMIS):** The FMIS will be improved so that the strategic development/planning/decision making can: i) be linked to other sectors and institutions (e.g. land registry, agriculture, tourism, etc.); ii) be based on accurate and agreed data; iii) provide the means for monitoring and verification; and, iv) increase transparency and allow for independent supervision. This will be achieved by establishing systems that will share key common and most importantly unique datasets through accessing common servers (e.g. cadastral, boundary and ownership layers), with other institutions (e.g. with Department of Statistics and Planning for compiling forest accounts[1]) , as well as at the national level with, for example the Forest Survey of India in key areas such as the National Forest Inventory, forest fire detection and reporting, permanent sample plot data to monitor growth dynamics, carbon stocks and forest health. Building on these layers the HPFD would be able to prepare and systematize forest and pasture management planning processes, which would include ensuring proper community participation and consultation. Once the forest and pasture management plans have been approved and established in the FMIS, systems will be established to ensure that plan implementation is both monitored and reported on and shared through web based portals. This will include methods for monitoring removals and transport of forest produce. Standard reporting will be made publicly available through web portals. This activity will also contribute to build a joint platform with various state departments related to the forest sector like environment, energy and statistics and planning. This will facilitate effective planning, implementation and monitoring of CAT Plans, forest accounts, benefit sharing in the catchments etc.

b. **Improve planning and training:** This activity will support the development of guidelines for multi-tier and multi-purpose forestry plantations, management and utilization of NTFPs, and improving the quality of pastures, as well as the implementation of these guidelines in model plantation and pasture schemes. The activity will also support the improved implementation of monitoring plans, e.g. by updating plans with areas afforested, permits issued, NTFP removals, timber removals, incidence of pests and fire, etc. and by producing reports consolidated at the local and state levels. Planning activities supported under the CAMPA program will be aligned with this activity[1].

Sub-component 1.3. Manage catchment areas to maximize forest ecosystem services for hydropower

5. **CAT plans effectiveness.** To improve the effectiveness of comprehensive CAT plans, this sub-component will also support the development and implementation of a model CAT plan, the development of CAT planning approaches, targeted training of officers, investments in monitoring stations and silt laboratories, and investments to implement CAT plan activities. This activity has the potential to be replicated in Nepal and Bhutan and in other hilly terrains.

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[1] A "forest account" is a satellite account to the system of national or state accounts and measures the interaction between the forests and the economy.

[1] Allocation of CAMPA funds from the Ministry of Environment, Forests, and Climate Change is based on the Annual Planning of Operation (APO) that the HPFD prepares and shares with the GoI. The Project will support the review of the existing system of APO preparation for CAMPA-funded activities and will support reforms in the institutional setup for developing the APO/monitoring system and coordinating this system with the state forest sector strategy. To ensure that improvements in planning will be adopted and sustained in the future, however, this sub-component will also include investments in forest guard training schools and forest research training centers.

6. Specifically, under this sub-component, the Project will finance technical assistance and investments focused on the Sutlej basin (one of the five river basins in the state) to strengthen the flow of forest ecosystem services to forest-dependent sectors, such as hydropower. This basin has a length of over 200 km and an area of more than 50,000 hectares. The catchments within the basin are showing symptoms of degradation, such as landslides and uncontrolled erosion. In this context, the project will finance the application of hydrological and investment prioritization models to better understand sediment flows and to suggest appropriate treatment for optimal catchment area management. The development of the Sutlej CAT plan – a model CAT plan – will include activities designed to maximize the production of ecosystem services, such as improved forest and pasture management, landslide management, erosion control, check dams, brush wood dams, and bio-engineering works. The Project will support the HPFD to develop and implement this plan through coordination with the rural development, roads, tourism and other stakeholder departments and to demonstrate the advantages of model catchment management.

7. Both multi-layered plantations (grass, herbs, shrubs, and trees) and existing forests in the catchment will be managed to maximize ecosystem service flows. This sub-component will support water recharge to improve the hydrology of the catchment, such as: (i) forest spring rehabilitation, including spring monitoring, (ii) spring catchment protection and management program, and (iii) water harvesting based on investments in afforestation to improve percolation, infiltration, and year-round ground water availability. PPP schemes will be explored as part of these potential activities. PES schemes that include benefit sharing arrangements with local communities will also be piloted in these communities to encourage their participation and identify successful models.

8. **Operationalization of PES policy.** Payments for Ecosystem Services appears as one of the incentives for stakeholders to contribute to forest management. This sub-component will support (i) the development of rules and regulations for the Payment for Ecosystem Services Policy, (ii) the design of the system to incentivize communities to participate in forest protection and plantation management, and (iii) the HPFD has developed some studies to pilot PES in the watersheds of Kangra district and in the Renuka dam hydro catchment in Sirmaur district. Exploring gaps of these pilots and bringing in effective model of PES in major hydro catchments will be worked out within the Project. These activities will involve technical assistance to be implemented by the HPFD.

Component 2. Incentivizing communities to better manage forests (USD 15M)

9. This component aims to remove barriers to and create incentives for improved forest management at the level of communities and private sector through a set of activities addressing institutional, governance, and technical constraints. Enhanced livelihoods benefits are expected to incentivize communities to contribute to improved forest quality. A clear policy environment will unlock private sector participation. These activities will also signal an institutional change at the level of the HPFD, getting it out of revenue generation where private sector and communities can play a role.

10. An NTFP sector strategy will underpin this component to catalyze the potential of NTFPs and support local livelihoods by securing communities' access rights and increasing value-addition through improved harvesting, processing, storage, and marketing of selected NTFPs. During preparation, the HPFD will explore the possibility of using project preparation funds to support

the development of this strategy to help identify one or two NTFPs with market potential and secure communities' access to and use of the forest resource through a participatory process.[2] Increased value-addition supported initially by public financing would create a favorable investment climate to crowd-in private sector investments in NTFP enterprises, including potentially through PPPs. For this purpose, HPFD will involve a private entity that is experienced in this area. The selection of this entity will be discussed during Project preparation. The sub-component will support the following activities:

(i) Provide technical and financial support to communities and individuals to initiate and manage NTFP-based enterprises. This could include startup capital through microfinance schemes, training, and other business development support. The specific financial mechanisms and their implementation will be analyzed during Project preparation.

(ii) Support the development and piloting of value chains and markets for specific NTFPs, such as medicinal and aromatic plants (e.g., *karoo, patish, dioscoria, ban kakri, mushakbala, chirata, chaura, chukhri, salam panja, satabar, banhaldi, kalmegh, gelaoi, nag chattri*, etc.), including via certification, standards, targeted investments, etc.

11. As mentioned before, a component on eco-tourism destination development would add to the complexity of implementation arrangements. For these reasons this option was dropped with the caveat that it could be picked up during a future engagement. However, and as a first step, the potential of ecotourism will be also explored and discussed with the HPFD during preparation. The following activities are likely to be supported to help create an enabling environment for private sector investments: (i) update the state's ecotourism policy to facilitate high value ecotourism development; (ii) develop ecotourism guidelines that balance the need for community, forest, and private sector benefits; and (iii) develop specific infrastructure to facilitate ecotourism in forest areas. These activities will be jointly analyzed with the T&C GP.

Component 3. Project management and institutional coordination (USD 5M)

Subcomponent 3.1. Project management

12. This subcomponent will finance Project management activities (mainly through consultant services), which will be undertaken by a Project Implementation Unit (PIU) established in the HPFD. The PIU activities will include budgeting, preparing annual work plans, contract management, financial management, procurement, environmental and social risk management, and monitoring and evaluation. Under this component, all reporting on implementation progress will be prepared, including monitoring of the PDO and the Results Framework indicators.

Subcomponent 3.2. Institutional coordination

13. This subcomponent will support, though the financing of recurrent expenditures, the creation and maintenance of the Project's Steering Committee (SC) as a key vehicle to ensure multi-sectoral

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[2] The proposed Project will coordinate with the Agriculture GP to ensure synergy with the Bank -funded HP Horticulture Development Project (P151744), especially to leverage the cold storage and warehouse infrastructure being upgraded and built under the horticulture project for improving NTFP value chains. The location of these investments could be helpful in deciding the geographies for NTFP investments under the proposed Project. The T&C GP will also be involved in advising on this sub-component.

coordination and participation among the HPFD and other relevant sectors that are involved with the project and have the institutional mandate to advise or implement activities related to watershed treatment, NTFPs, or ecotourism. The Project will finance (i) technical meetings of the SC and (ii) knowledge exchange activities with other states and countries facing similar challenges.