

Government of Nepal  
Ministry of Forests and Environment  
**REDD Implementation Centre**  
Babarmahal, Kathmandu

**Part 1: Main Report**

**Benefit Sharing Plan of the REDD+ Emission  
Reductions Program for 13 Terai Arc Landscape  
Districts**

**Final BSP**  
**May 2022**

# TABLE OF CONTENTS

<b>Acronyms and Abbreviations.....</b>	<b>v</b>
<b>Summary .....</b>	<b>1</b>
<b>Chapter 1. Introduction .....</b>	<b>6</b>
1.1 Overview of ER Program Area – TAL districts .....	6
1.2 Purpose of the Benefit Sharing Plan (BSP) .....	9
1.3 Underlying Principles of the BSP .....	9
1.4 Legal Context for Benefit Sharing of ERP in Nepal.....	10
1.5 Design Process of the BSP .....	11
<b>Chapter 2. Beneficiaries, Benefits and Costs of the ER Program .....</b>	<b>15</b>
2.1 Selection of Beneficiaries.....	15
2.1.1 Eligibility Criteria for Institutional Level Beneficiaries.....	15
2.1.2 Eligibility Criteria for Household and Community Level Beneficiaries.....	17
2.2 Types of Benefits.....	19
2.3 Allocation of Benefits.....	25
2.3.1 Allocation for Operational Costs .....	25
2.3.2 Allocation for Transaction Costs .....	26
2.3.3 Performance-Based Allocation to Government and Community-based Forest Management Groups.....	27
2.3.4 Allocation to Private Forest Owners .....	30
2.3.5 Basic Allocation.....	31
<b>Chapter 3. Institutional Arrangements for Benefit Sharing .....</b>	<b>32</b>
3.1 Governance Arrangements.....	32
3.2 Flow of Funds .....	37
<b>CHAPTER 4: PERFORMANCE SCENARIOS.....</b>	<b>41</b>
4.1 Ex-ante Estimate of Emission Reductions .....	41
4.2 Scenario 1- 100% performance of ER target.....	42
4.3 Scenario 2- 50% of the ER target.....	42
4.4 Scenario 3- 10% of the ER target.....	43
4.5 Scenario 4: Non-performance scenario .....	44

<b>Chapter 5. Monitoring and Reporting Framework.....</b>	<b>45</b>
5.1 Reporting System.....	45
5.2 Monitoring of Performance and Results .....	47
5.3 Monitoring of Inputs/Activities .....	51
5.4 Monitoring of Safeguards and Guidance to Ensure Implementation of Safeguards .....	54
5.5 BSP-Related Feedback and Grievance Redress Mechanism .....	58
5.6 Capacity Building.....	60
Annex 1. Key Milestones of the ER Program in the 13 TAL districts .....	63
Annex 2: Non-Carbon Benefits to Be Derived in the ER Program Area.....	64
Annex 3: Relevant Legal Bases for the ER Program’s Benefit Sharing Plan .....	65
Annex 4: Field Level Stakeholder Consultation Plans .....	68
Annex 5: Participants of Local and Provincial Level Stakeholder Consultation .....	71
Annex 6: Summary of Stakeholder Consultations on Categorization of Beneficiaries .....	72
Annex 7: Overview of Non-Monetary Benefits Identified through Stakeholder Consultations .....	77
Annex 8: Recommendations from Local and Provincial Stakeholders on Flow of Funds Mechanism and Payment Modalities.....	1
Annex 9: Outcomes of National Consultation with Women Representing Different Networks (Government, CSOs, and Private Sector) .....	2
Annex 10: Outcomes of Consultation with CSOs (Federations).....	3
Annex 11: Outcomes of Consultation with Experts .....	5
Annex 12: Outcomes of Consultation with Federal Ministries .....	6
Annex 13: List of Participants of Stakeholder Consultations in the Field .....	7
Annex 14: Outcomes of National Stakeholder Sharing Workshop/Consultation .....	9
Annex 15: Details Of Investment Plans .....	11

**LIST OF FIGURES**

Figure 1. MRV and Payment Milestones of the ER Program.....	5
Figure 2: The 13 TAL districts where ER program will be implemented.....	9
Figure 3: Development of the BSP .....	16
Figure 4: Beneficiary categories .....	19
Figure 5: Eligibility criteria and identified beneficiaries .....	20
Figure 6: Distribution of benefits.....	28
Figure 7: Break down of total forest area .....	31

Figure 8: Households selection criteria for basic allocation and information on the selected households.....	34
Figure 9: Distribution of ER payment through Forest Development Fund .....	42
Figure 10: Functional links between MRV system and BSP monitoring.....	52
Figure 11. Proposed FGRM under the ER Program.....	63

## LIST OF TABLES

Table 1: Forest profile according to local government .....	10
Table 2: Contribution of forest authorities and local forest user groups to interventions .....	11
Table 3: Summary of concerns and suggestions from stakeholder consultations.....	17
Table 4: Recommended beneficiary categories and their level of forest dependency and contribution and social justice considerations .....	21
Table 5: Non-monetary benefits to beneficiaries .....	19
Table 6: Monetary and non-monetary beneficiaries of the er program.....	24
Table 7: Breakdown of budgeted operational costs (USD, thousands).....	28
Table 8: Breakdown of budgeted transaction costs (USD, thousands).....	29
Table 9: Ineligible activities for receiving benefits.....	29
Table 10: Institutions involved in benefit distribution and their roles .....	29
Table 11: Ex ante estimation of emission reductions during the life of the ER program.....	45
Table 12: Distribution of benefits under the 100% ER performance scenario .....	46
Table 13: Distribution of benefits under the 50% ER performance scenario .....	47
Table 14: Distribution of benefits under the 10% ER performance scenario .....	47
Table 15: Reporting system and responsibilities of different entities.....	49
Table 16: Schedule of mrv and erpa payments .....	47
Table 17: MRV, safeguard, and BSP monitoring activities at different government levels .....	47
Table 18: Monitoring framework with detail outcomes and indicators .....	51

## List of Boxes

Box 1: Investment Plans .....	31
Box 2: Forest Development Fund .....	35

## ACRONYMS AND ABBREVIATIONS

ACOFUN	Association of Collaborative Forest Users Nepal
BSP	Benefit Sharing Plan
BZF	Buffer zone forest
BZCFUG	Buffer zone community forest user groups
CBMIS	Community-based monitoring information system
CF	Community forest
CFUG	Community forest user group
CoFSUN	Community-Based Forestry Supporters' Network
CollF	Collaborative forest
CollFUG	Collaborative forest user group
CSO	Civil society organization
DANAR	Dalit Alliance for Natural Resources
DFO	Division Forest Office
DFRS	Department of Forest Research and Survey
DNF	Dalit NGO Federation
DoFSC	Department of Forests and Soil Conservation
DoNPWC	Department of National Parks and Wildlife Conservation
DPMU	District Project Management Unit
ER	Emission Reduction
ERPA	Emission Reductions Payment Agreement
ERPD	Emission Reductions Program Document
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FDF	Forest Development Fund
FDF PDIC	FDF Project Development and Implementation Committee
FECOFUN	Federation of Community Forest User Groups
FGRM	Feedback and grievance redress mechanism
FLHFUG	Federation of Leasehold Forest User Groups
FPIC	Free Prior and Informed Consent
FPMU	Federal Project Management Unit
FREL	Forest reference emission level
FRL	Forest reference level
FRTC	Forest Research and Training Centre
GESI	Gender equality and social inclusion
GHG	Greenhouse gas
GIS	Geographic information system
Ha	hectare
HIMAWANTI	Himalayan Grassroots Women's Natural Resource Management Association
IPs	Indigenous peoples

IWMI	International Watershed Management Institute
LHF	Leasehold forest
LHFUG	Leasehold forest user groups
MITFE	Ministry of Industry, Tourism, Forest and Environment at the provincial level
MoF	Ministry of Finance
MoFE	Ministry of Forests and Environment
MRV	Monitoring, reporting and verification
MtCO <sub>2e</sub>	Million (metric) tons of carbon dioxide equivalent
NDC	Nationally Determined Contribution
NEFIN	Nepalese Federation of Indigenous Nationalities
NFA	Nepal Foresters' Association
NIWF	National Indigenous Women Forum
NNRFC	National Natural Resources and Fiscal Commission
PMU	Project management unit
PDIC	Program Development and Implementation Committee
POM	Project operation manual
RDN	Rastriya Dalit Network
RECOFTC	The Centre for People and Forests
REDD IC	REDD Implementation Centre
REDD+	Reducing Emissions from Deforestation and Forest Degradation, plus Conservation, Sustainable Management of Forests, and Enhancement of Forest Carbon Stocks
RF	Religious forest
RFUGs	Religious forest user groups
SES	Social and environmental standards
SESA	Strategic environmental and social assessment
SIAS	South Asia Institute for Advance Studies
SIS	Safeguard information systems
TAL	Terai Arc Landscape
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

## SUMMARY

### Introduction

- This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) program in 13 districts across the Terai Arc Landscape (TAL)<sup>1</sup> of Nepal. This BSP has been developed in order to satisfy one of the conditions of effectiveness under the Emission Reductions Payment Agreement (ERPA).
- The BSP has been developed on the spirit of legislative provisions, sectoral policies, and practices, and considers the local socioeconomic circumstances as appropriate.
- The ER covers an area of about 2 million hectares (ha), that includes 1.17 million ha of forests which is managed by the government and local communities under various management regimes.
- The ER program area—home to diverse social and ethnic groups—is comprised of 144 local government bodies, the municipalities, with clear jurisdictional boundaries.
- The ER program aims to achieve an emission reduction (ER) of around 34.2 MtCO<sub>2e</sub> over a period of 10 years, with 2018 as the base year. Nepal intends to trade a total volume of 9 MtCO<sub>2e</sub> (excluding a performance buffer<sup>2</sup>) to the Forest Carbon Partnership Facility (FCPF) Carbon Fund over the ERPA's term, which covers the ER performance achieved since Emission Reduction Program Document (ERPD) approval date (June 2018).<sup>3</sup>
- The ERPD has proposed seven specific interventions—including implementation of sustainable forest management, devolution of forest governance, the introduction of alternative energy sources, extension services for leasehold and private forest initiatives, and improvement of integrated land-use systems—to reach the ER target.
- The BSP builds on the benefit-sharing arrangements proposed in the ERPD for the ER program and provides information on aspects highlighted in the FCPF Methodological Framework and the Facility Management Team Note (2019).
- The BSP provides scenarios illustrating indicative levels of performance for the achievement of 100%, 50%, 10% and 0% of the ER target of 9 MtCO<sub>2e</sub>.

### Beneficiaries – eligibility criteria and beneficiary categories

- The BSP identifies beneficiaries of ER payments based on a combination of criteria, including institutional factors, ER activities, degree of forest dependency and social justice.
- The BSP recognizes four beneficiary categories: (i) government entities; (ii) community-managed forest groups (iii) private forest owners; and (iv) forest dependent households outside of the user groups.

### Allocation of benefits

- A volume of 9 MtCO<sub>2e</sub>, at a unit price of USD 5, will be transacted under the ERPA term. Of the total ER payments deposited in Forest Development Fund (FDF), 80% will be disbursed for the performance-

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<sup>1</sup> The Terai Arc Landscape refers to a stretch of lowlands in the southernmost part of Nepal. It covers the area with the highest biodiversity in the country.

<sup>2</sup> Out of total ER, 23% (7.9 MtCO<sub>2e</sub>) is allocated as an uncertainty and risk reversal buffers.

<sup>3</sup> Nepal proposes the start date of the ER accounting period to be the date of ERPD selected into the portfolio by Carbon Fund Participants, which is June 2018..

based allocation to the government forest entities and community-based forest user groups, 5% for private forest owners, another 5% for forest dependent households and communities outside the user groups. Remaining 10% for the ER payments received at FDF will be allocated for operation and management purpose.

- ER benefits will be awarded to the government and forest user groups based on their performance across the forest management units measured by total forest area where activities are being implemented, as reflected in their periodic Plan (DFO) and Investment Plan (forest user groups) respectively. The preparation of the above plans are preconditions for receiving ER benefits. The forest user groups utilize payments in accordance with current benefit sharing plan and existing policies. Specific details on planned and implemented activities and the distribution of benefits themselves will be contained in the respective forest user group's Investment Plans.
- 5% of the total performance-based allocation will be distributed to private forest owners *in kind*—in the form of goods (seedlings) and services (technical input) for the protection and growth of the forest on their lands.
- The remaining 5% of total ER payments is a basic allocation<sup>4</sup> to forest-dependent households and communities not belonging to any forest group.
- Non-monetary benefits will be distributed to private forest owners and non-group members. The local municipality will administer the benefit sharing mechanism to the identified groups.

### **Institutional arrangements**

- The sharing of benefits is done through the Forest Development Fund (FDF)—a dedicated body for mobilization of funds on the forestry sector established in accordance with section 45 of the Forest Act 2019 and Forest Regulations 2022.
- The FDF Program Development and Implementation Committee (PDIC) will manage the FDF as the federal level fund management steering committee, pursuant to the process depicted by the Forest Regulation 2022<sup>5</sup>.
- At the local levels, oversighting of the program and benefit sharing of the ER program activities will be expedited by the municipalities or rural municipalities within their respective jurisdictions.
- The Department of Forests and Soil Conservation (DoFSC) and Division Forest Offices (DFOs) act as the Project Management Unit (PMUs) at the federal and provincial levels respectively. The REDD-Desk will act as the focal entity at the provincial level.

### **Benefit distribution**

- The Ministry of Finance (MoF) will receive the payments from the FCPF Carbon Fund on the basis of verified ERs units, and transfer such payments to the FDF as per the ERPA. The FDF PDIC will receive, review, and approve all disbursements (all performance-based benefits, the basic allocation, and

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<sup>4</sup> Note: While the English translations is “basic allocation”, this is equivalent to a fixed allocation.



disbursements for operation and transaction costs), with support and input from the secretariat as per the Benefit Sharing Plan (BSP).

***Performance-based monetary payments and non-monetary benefits:***

- *Forest user groups and government.* Having met the preconditions (Investment Plan or Periodic Plan), and following review and approval by the local and federal fund management steering committees, payments will be distributed to eligible forest user groups and government entities based on the performance on the forest area (ha) they manage. Funds will be transferred from the FDF to the bank accounts administered by the respective DFOs (Figure 9). The performance-based payments to forest user groups will be disbursed by the DFOs to the bank account of the respective groups through account payee cheque or e-payment as appropriate. The benefits allocated to the PA authorities will be disbursed to their accounts by the FDF secretariat and benefit for the government managed forests and community and collaborative forests will be transferred into the account of respective DFOs. The forest user groups mobilize their ER payments in accordance with current benefit sharing plan and existing fund mobilization policy. Similarly, the performance-based payment for the private forestry owners and other people living on the jurisdictional boundary of ERP area will be transferred into the account of respective municipalities which in turn will distribute the benefits in line with the benefit sharing plan. The sub-division office facilitates the process of benefit distribution and provides technical backstopping to the municipality.
- *Private forest owners.* Upon review and approval by the municipality, DFOs (as DPMU) will send consolidated data (based on private forest database and Business Plans) to the Project management unit at FDF secretariat at DoFSC. FDF Secretariat will review and approve, after which the FDF secretariat will facilitate the disbursement of benefits to the DFOs. Municipalities will disburse the benefits allocated to the identified private forest owners in the form of goods (seedling), technology (training), and facilitation in support of sub DFO.

***Basic allocation:*** In consultation with respective local governments, DFOs (DPMUs) will prepare lists of potential beneficiaries (households) and corresponding non-monetary benefits (goods and services). The DFOs will forward all local Benefit Distribution Plans for basic allocation to FDF secretariat. This plan will be shared with the FDF PDIC and for review and approval. As per the decision, the FDF secretariat will facilitate the disbursement of benefits to respective municipalities.

***Operation and transaction costs:*** In accordance with decisions of the FDF PDIC, funds for operational and transaction costs will be disbursed to the PMUs at the federal (FDF secretariat), provincial (REDD-Desk), and local levels (DFOs), based on the scope of the activities implemented at the respective levels. Funds will be transferred from the FDF to the dedicated accounts of the respective DFOs at the district level, to the account of the provincial Forest Directorates, and the account of the FDF at the federal level.

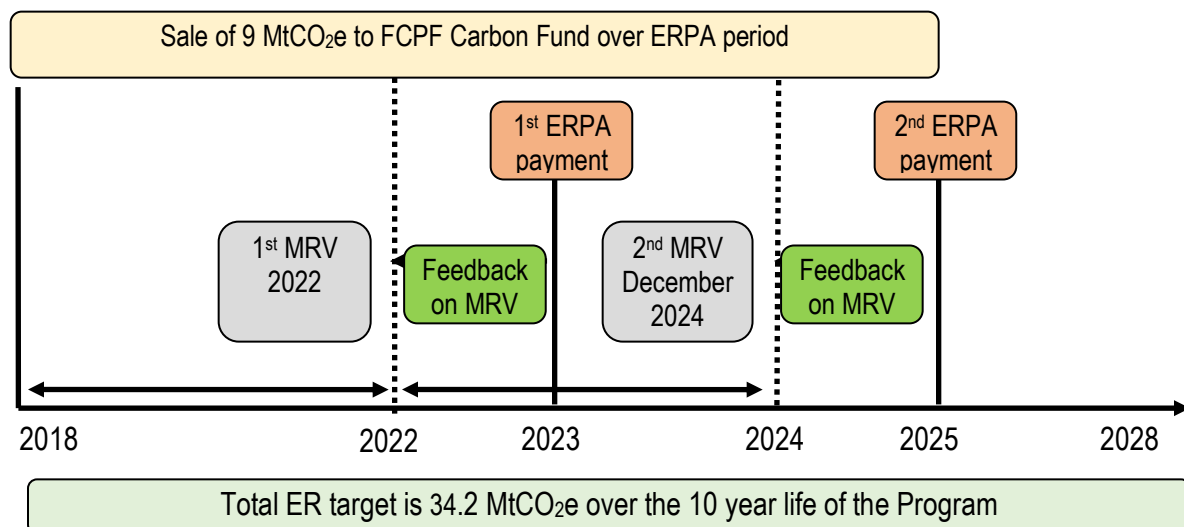
**Monitoring framework**

- The first and second monitoring, reporting, and third-party verification of ERs will be carried out in Q4 2022 and December 2024 respectively (Figure 1).
- FRTC— is the national MRV agency tasked with carrying out MRV of the ER Program. National MRV agency will also develop criteria for performance assessment of forests managed by local communities. Overall ER performance will be supervised by FDF secretariat, and reports will be sent to FDF secretariat

to facilitate the distribution of ER payments. Performance based assessment of the forest management unit under community jurisdiction will be done by respective DFOs. Permanent forest estate under PA system (area on the gazette as PA) will be considered as basis for Protected areas.

- Payments for reported and verified ERs will be made in the year 2023 and 2025

Figure 1: MRV AND PAYMENT MILESTONES OF THE ER PROGRAM



- BSP-related activities will be monitored by the PMUs and Program Development and Implementation Committee at the federal level, respective municipality at local level, and by the REDD-Desk at the provincial level.
- The forest user groups' Investment Plans will be reviewed by the DFO to ensure the planned forest management activities are in line with the activities proposed in the ERPD. This regular monitoring of plans will ensure BSP benefits reach the intended beneficiaries.
- The community-based monitoring and information systems (CBMIS) will be integrated into the mainstream MRV process by involving community-based forest management groups and their members and IPs and local communities.
- Monitoring of the benefit-sharing-related safeguards is integrated into the overall monitoring framework.
- A project operation manual (POM) will be developed to guide the government authorities and local communities through specific implementation procedures under the ER.

## Reporting

- All beneficiaries undertake reporting obligations (e.g., keep records of forest management activities and up-to-date records on the use of ER benefits) for submission to the DFO (as DPMU). The DFO maintains its own records (including the distribution of benefits to private forest owners and to households and communities not belonging to forest groups), which are then forwarded to the FDF secretariat. These documents support the FDF's audit which will be carried out by the Office of the Auditor General.

## Resolution of feedback and grievances

- Feedback and grievances regarding benefit sharing will be addressed by two entities, depending on the nature of the feedback/complaints—through forest authorities or the local government judicial committee.
- Complaints filed by *households* will be assessed and settled within the respective forest user groups through the subcommittee or ward (the lowest political unit) mediation committee.
- Complaints filed by *forest groups* will be addressed by DFO, a ward mediation committee, or local government judicial committee. DFO will refer unresolved grievances to the provincial Forest Directorate, as the final entity to settle the grievances through mediation.
- Any grievances that cannot be settled by the MoFE and the local government judicial may go through a formal judicial procedure (court) for appropriate remediation.

### **Capacity building**

- The Environmental and Social Management Framework (ESMF) contains a detailed training and capacity-building framework for effective implementation of the ER Program. The BSP further identifies skill-development training and capacity development activities, with a portion of the funds allocated to cover operational costs earmarked for capacity building.
- Regarding the capacity of the FDF, the Forest Regulation has been approved in May 2022 and manual for the operation of the FDF is under the process of approval.
- Once the operating procedures are released, the FDF and associated delivery arrangements, will undergo financial management and procurement assessments by the World Bank as part of project due diligence. The assessments will also identify gaps and needs to strengthen capacity, as appropriate, to receive the first ER payment.

### **Structure of the Document**

The BSP is divided into five chapters. Chapter 1 describes the context of the ER Program area and the distribution of forests with respect to local level jurisdictions. It also gives an overview of the general principles and legal context for the preparation of the BSP. Chapter 2 focuses on the beneficiary categories and end beneficiaries as well as the underlying eligibility criteria. Chapter 3 describes the FDF, which the stakeholders considered the best option for the distribution of benefits. This chapter also discusses the organizational representation, and roles and responsibilities of the entities involved in benefit-sharing. In addition, it provides an overview of the payment modalities and the monetary and non-monetary benefits to the identified beneficiaries. Chapter 4 presents the performance scenarios for emission reductions and their likely implications for the ER payments from the FCFP Carbon Fund. Finally, Chapter 5 covers the BSP reporting and monitoring process, including the links between MRV and BSP monitoring, safeguards, and the feedback and grievance redress mechanism (FGRM), as well as capacity building.

## CHAPTER 1. INTRODUCTION

This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) Program in 13 districts of Nepal's Terai Arc Landscape (TAL)<sup>6</sup> area. The ER Program is the country's first of its kind sub-national, results-based program, and it strives to achieve the ER targets through the implementation of an equitable BSP (key ER Program milestones are presented in Annex 1). This BSP was designed through a credible, legitimate, and reiterative process. It meets the requirements of the Forest Carbon Partnership Facility (FCPF) Methodological Framework (criteria 29–33) and fulfills one of the prerequisites for the signing of the Emission Reductions Payment Agreement (ERPA) for the ER Program in 2021.

The BSP builds on the indicative benefit sharing arrangements proposed in the Emission Reductions Program Document (ERPD) for the ER Program and includes information on aspects emphasized in the FCPF Methodological Framework and the Facility Management Team Note (July 2019). It is the result and synthesis of recommendations and suggestions made by multiple stakeholders including, indigenous peoples (IPs) and marginalized groups (i.e., women, Dalits,<sup>7</sup> Madhesis,<sup>8</sup> and Muslims), forest user groups and their federations (active at local, provincial, and federal levels of government) during participatory and inclusive consultations led by experts.

### 1.1 Overview of ER Program Area – TAL districts

The TAL area in which the ER program is being implemented covers 13 districts west of the Bagmati River (Figure 2). The ER Program covers an area of about 2 million ha that spans the through part or full of Rautahat to Kanchanpur districts on the southern slope of Churia hills. However, for the purpose of ER Program, the jurisdictional boundary of entire district has been considered. The ER program districts are Rautahat, Bara, Parsa, Chitwan, Nawalparasi (East of Bardaghat Susta), Nawalparasi (West of Bardaghat Susta), Rupendehi, Kapilvastu, Dang, Banke, Bardia, Kailali and Kanchanpur. These districts are located in five provinces (Madhesh, Bagmati, Gandaki, Lumbini and Sudurpaschim Provinces). The 13 districts include 144 local municipal governments and their jurisdictional boundaries. The ERP area is home to diverse social groups and ethnic groups. IPs comprise about 31% of its total population, while Dalits and Muslims represent 12% and 8.6% respectively.

Of the total land area, forests cover about 1.17 million ha—0.34 million ha of forests lie in protected areas (five National Parks: Parsa, Chitwan, Banke, Bardia and Suklaphanta, and Blackbuck Conservation Area) and 0.45 million ha of forests, including protected forests, lie in areas managed by the government. The remaining forests (0.38 million ha) are managed under community-based forest management; among others, 2,184 community forest user groups (CFUGs) managing 321,115 ha of forests, 18 collaborative forest user groups (CollFUGs) managing 58,242 ha of forests, and 159 leasehold forest user groups (LHFUGs)

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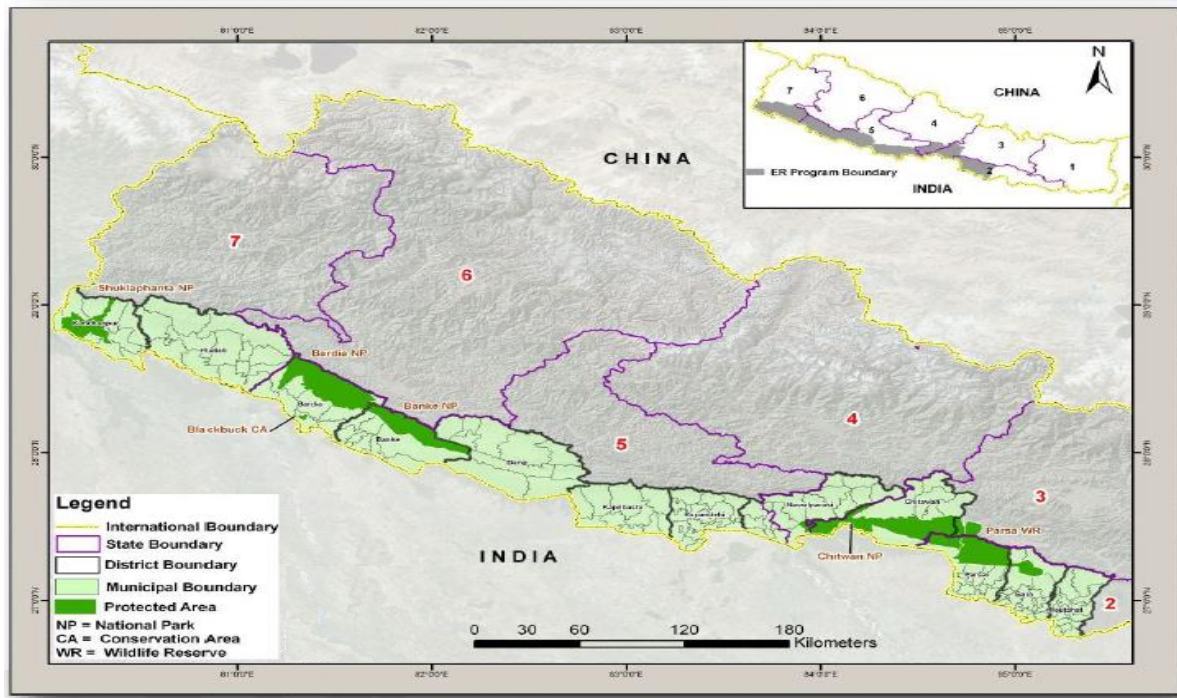
<sup>6</sup> The Terai Arc Landscape refers to a stretch of lowlands in the southernmost part of Nepal. It covers the area with the highest biodiversity in the country.

<sup>7</sup> Dalit, which means "broken/scattered" in Sanskrit and Hindi, is a term mostly used for the ethnic groups in India and Nepal that are oppressed. They are also known as "untouchables," and are members of the lowest social group in the Hindu caste system.

<sup>8</sup> The Madheshis are people of Indian ancestry residing in the Terai of Nepal and comprising various cultural groups such as Hindu caste groups, Muslims, merchants and indigenous people of the Terai. The Madhesis are socially and economically marginalized.

managing 600 ha of forests (ERPD, 2018). A small portion of the forests in the ER Program area is managed as religious forests.<sup>9</sup>

Figure 2: THE 13 TAL DISTRICTS WHERE ER PROGRAM WILL BE IMPLEMENTED



The distribution of forests in the 13 districts is unequal (Table 1). Of the 144 local jurisdictions, 39 do not possess any national forest area<sup>10</sup>. The percentage of forest cover across the districts ranges from 19.30% in Rupandehi to 64.64% in Dang.

Table 1: Forest Profile According to Local Government

District	Name of Province	# of local jurisdictions	# of local jurisdictions without forest	Total land area (ha)	Forest area outside Pas (ha)	% of forest cover
Rautahat	Madhesh	18	11	103,503	26,083	25.20
Bara	Madhesh	16	13	115,787	46,132	39.84

<sup>9</sup> A religious forest is a patch of forest that protects biodiversity and is conserved by local people based on their indigenous cultural and religious beliefs and taboos.

<sup>10</sup>As per Article 2 of Forest Act, 2019, national forests denote the forests managed by the governments consisting of protected areas, protected forests, forest conservation area, community forests, collaborative forests, leasehold forests, religious forests, and provincial and interprovincial forests.

Parsa	Madhesh	14	7	78269	17,224	22.00
Chitwan	Bagmati	7	0	133,071	66,903	50.27
Nawalparasi (East of Bardaghat Susta)	Gandaki	8	0	132,902	76,488	57.55
Nawalparasi (West of Bardaghat Susta)	Lumbini	7	0	72,483	21,859	30.15
Rupandehi	Lumbini	16	5	129,367	24,976	19.30
Kapilvastu	Lumbini	10	3	164,642	60,448	36.71
Dang	Lumbini	10	0	299,234	193,450	64.64
Banke	Lumbini	8	1	187,377	115,776	61.78
Bardia	Lumbini	8	0	110,036	31,729	28.83
Kailali	Sudurpaschhim	13	0	327,313	197,309	60.28
Kanchanpur	Sudurpaschhim	9	0	121,426	40,914	33.69
Total	144	39	1,975,410	919,291	46.53	

Source: Department of Forest Research and Survey DFRS (2018).

The ER Program aims to reach a total volume of ERs of 34.2 MtCO<sub>2e</sub> in 10 years, which covers the ER performance achieved from ERPD approval date (June 2018<sup>11</sup>) through seven sets of interventions (Table 2). This ambitious ER Program target was set against a forest reference level (FRL) of 0.89 MtCO<sub>2e</sub>/year, which was estimated based on historical data from 2004 to 2014 (ERPD, 2018). Of this overall ER target, 23% (7.9 MtCO<sub>2e</sub>) will be set aside in an uncertainty and risk reversal buffer, while 9 MtCO<sub>2e</sub> will be potentially available under the ERPA. By offering 9 MtCO<sub>2e</sub> at a unit price of USD 5, Nepal anticipates USD 45 million from the FCPF Carbon Fund over the ERPA term. While Nepal will seek a second buyer for any remaining volume or ERs generated by the program after the ERPA term, this BSP has no bearing on the distribution of benefits associated with the purchase of ERs by a second buyer.

Table 2: Proposed interventions and role of collaborating partners for ER Program Implementation

S.N.	Intervention	Government Forest Agency	Forest user	Private sector*	Local government	Individual Household
1	Improve management practices in existing community and collaborative forests by building on traditional and customary practices	√	√			

<sup>11</sup> Nepal proposes the start date of the ER accounting period to be the date of ERPD selected into the portfolio by Carbon Fund Participants, June 2018. The safeguard audit (expected by May 2020) will confirm that ER Program measures implemented since the ERPD selection date are in compliance with ESF and World Bank safeguard policies. The benefits from generating ERs prior to ERPA signature will be distributed in the same manner as future benefits.

2	Localize forest governance through transfer of national forests to community and collaborative forest user groups	√	√			
3	Expand private sector forestry operations through improved access to extension services and finance	√		√	√	√
4a	Expand access to alternative energy with biogas		√	√		√
4b	Expand access to alternative energy with improved cook-stoves		√	√		√
5	Scale up pro-poor leasehold forestry	√	√			
6	Improve integrated land use planning to reduce forest conversion associated with infrastructure development	√	√		√	
7	Improve management of Protected Areas (PA)	√				

**1.2 Purpose of the Benefit Sharing Plan (BSP)**

This BSP intends to ensure that the monetary benefits mentioned above are distributed to the identified beneficiaries in an efficient, equitable, clear, and transparent way through inclusive institutional bodies managing the flow of funds. Additionally, the BSP aims to incentivize local communities and government authorities to implement forest activities that address the drivers of deforestation and forest degradation and barriers to forest conservation, sustainable forest management, and enhancement of carbon stocks such that additional ER are achieved, and carbon stocks are enhanced.

The BSP complies with Nepal’s Constitution and existing forestry sector laws and policies. As Nepal has transitioned into a federal republic arrangement, the BSP maintains a level of flexibility to comply with future policies. Moreover, the BSP attempts to reconcile current benefit sharing practices between the government and local communities (forest user groups), as well as within forest groups, and create additional benefits for local communities that will incentivize their long-term forest management.

**1.3 Underlying Principles of the BSP**

This BSP specifically relates to the distribution of funds derived from the World Bank’s FCPF. It does not pertain to the distribution of non-carbon benefits generated by the implementation of the ER Program<sup>12</sup>. This BSP is based on three principles: (i) let funds follow functions; (ii) do no harm; and (ii) be fair, whereby the distribution of benefits is underpinned by the specific systems, roles and functions agreed by the stakeholders represented in the multi-level institutional arrangements. The BSP has taken into account the interdependence of social, economic, and political circumstances of the ERP districts; Nepal’s Constitution, national laws and legal provisions; criteria 30–35 of the FCPF Methodological Framework; and the FCPF requirements (FMT Note CF-2019-1). The payment mode and disbursement approach focus on contributing to a long-term solution—addressing the underlying causes and drivers of deforestation and forest degradation and strengthening the local capacity to enhance carbon stocks.

Key principles of the BSP are the following:

- Full compliance with national policies.

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<sup>12</sup> Potential non-carbon benefits of the ER Program are listed in Annex 2

- The entire process will be fully transparent, participatory and inclusive.
- Responsive to the different roles, contributions, and degrees of forest dependency of different stakeholders with the forests of the ER Program area
- Implementation of ER activities is the key performance indicators and are considered as precondition for receiving benefits, as are equity and efficiency of distribution
- The BSP considers social just and humanity as its core of the principles.

#### **1.4 Legal Context for Benefit Sharing of ERP in Nepal**

Nepal's forest-land ownership remains with the State and individual households (as a privately held forest). State forests are managed through two regimes: *government*-managed and *community*-managed. The community-managed forests (community forests, leasehold forests, collaborative forests, buffer zone community forests and religious forests) are endowed with four categories of tenure rights—access, management, utilization, and exclusion—except for rights related to the alienation or transformation of forest lands into other forms of land.

The most relevant legal documents in the context of sharing of costs and benefits under the ER Program include the Constitution of Nepal, the 2019 Forest Act, the 2019 Environmental Protection Act, the 2017 Inter-Governmental Fiscal Arrangement Act, the 2017 National Natural Resources and Fiscal Commission Act, and the 2017 Local Government Operation Act (see Annex 3 for details).

Sections 25 and 28 of the 2019 Environmental Protection Act include provisions to implement climate mitigation actions and participate in carbon trade through any mechanism established on the basis of an international treaty; foreign governments or institutions; commercial or private sector entities pursuing carbon ER and sequestration.

The Constitution of Nepal (art. 51(g)(1)) states that the State will give priority and preferential rights to local communities during the equitable distribution of benefits generated from natural resources, considering the national interest. Schedule 5 of the Constitution provides the federal government with the sole right to regulate the national forest policy and carbon services. However, article 59(4) further explains that certain portions of the benefits generated from the use or development of natural resources shall be distributed in the form of royalty, services, or goods to the areas and local communities affected by the pertinent project. The benefits generated from the implementation of the ER Program will thus be shared with local communities and other relevant beneficiaries, as defined in this BSP.

Pursuant to section 44 of the Forest Act 2019, the government of Nepal can develop the distribution mechanism for the sharing of benefits generated from the country's carbon stock and emission reduction. The Act includes a provision for the establishment of a Forest Development Fund (FDF) as a possible mechanism to distribute benefits to local communities, in pursuit of the objectives of the Forest Act (2019), and to implement other activities for forest enhancement. The Fund's financing, governance system and decision-making process, bank account operation, auditing and other provisions for its operation are defined in section 45 of the 2019 Forest Act. Funding sources of the FDF may include funds from the federal,



provincial, and local government, as well as from individuals and organizations, grants and loans from international organizations and individuals, and revenue generated from the sale of forest goods and services (including carbon-related services). Operational Guidelines of the FDF are being developed based on the Forest Act 2019 and Forest Regulation 2022 (See Summary of FDF in Box 2). The FDF Operational Guidelines once ratified by the government will ensure the establishment and operationalization of the FDF.

Two other possible alternatives to distribute ER payments to the identified beneficiaries were considered: the Environmental Protection Fund and a conditional grant. Section 31 of the 2019 Environment Protection Act includes a provision for the Environmental Protection Fund to administer funds related to environmental protection, pollution prevention and control, climate change management, and protection of national treasures. In addition, section 9 of the 2017 Intergovernmental Fiscal Arrangement Act mandates conditional grants. It stipulates that the Government of Nepal shall provide conditional grants to state and local jurisdictions to implement any state, local, or federal project, as prescribed by the Commission, pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution. However, through a participatory stakeholder consultation process, the FDF was identified as the main, most suitable option, preferred by stakeholders at all levels (see Annexes 5–9). The distribution of benefits through the FDF is also in line with the current constitutional power-sharing system, which facilitates the efficient distribution of benefits from the federal to the local/community level through the provincial level.

The BSP recognizes the decision-making role of local governments in the ER benefit-sharing process, particularly Municipality and/or Rural Municipalities. The BSP builds on the functional linkages among the local, provincial, and federal levels to transfer the benefits from an international source to national beneficiaries.

### **1.5 Design Process of the BSP**

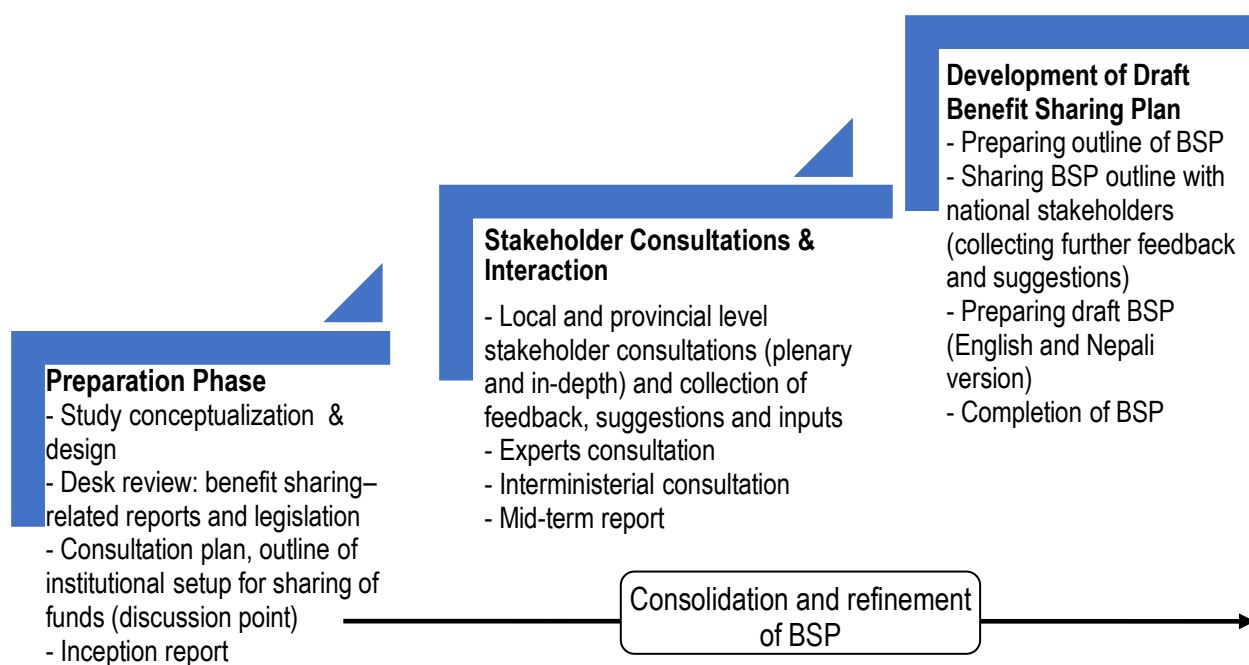
The BSP was developed through bottom-up, participatory consultations held at the local, provincial and national level and involved multiple stakeholders including IPs, local communities, and CSOs, as well as government, private sector and social and technical thematic experts (see Annexes 5, 9, 10, 11 and 13). The BSP-design approach was based on a thorough and iterative process, whereby the initially conceived benefit-distribution mechanism was consolidated and refined by taking into account suggestions and concerns voiced during stakeholder consultations.

The initial draft of the BSP was conceptualized considering existing legislative provisions, as identified through a desk-based review of available relevant national and international documents including legislative instruments, study reports, and guidelines (Figure 3). The second stage of the process involved stakeholder consultations that included extensive field studies, broad stakeholder consultations at the local, provincial, and federal level (including focus group discussion, deep-diving and key informant interviews), as well as interviews with multiple thematic experts at the federal level. The purpose of these consultations was to understand and collect the views and concerns of all stakeholders and use their suggestions and recommendations to consolidate the outlined plan. These consultations were carried out following the “Guidelines of Stakeholders Engagement in REDD+ Readiness,” suggested jointly by UN-REDD and the World Bank FCPF.

A total of six consultations were conducted in the field in ER Program areas represented by IPs and marginalized groups. Similarly, CSOs—among others, the Federation of Community Forest User Groups (FECOFUN), the Association of Collaborative Forest Users Nepal (ACOFUN), the Federation of Leasehold Forest User Groups (FLHFUG), and women’s networks, the private sector, and the government were consulted to seek suggestions and ascertain the views on the proposed distribution of funds mechanism, institutional setup and payment modalities. In addition, the consultations focused on the identification and categorization of end beneficiaries and evaluating the drivers of deforestation and forest degradation, but the beneficiary eligibility criteria were prioritized as the ERPD has already indicated the key drivers of deforestation and forest degradation (see Consultation Plan in Annex 4). Altogether 180 individuals, including 55 women, participated in these events. In addition, 61 IPs, 12 Dalits, and 13 Madhesis took part in the consultations.

Additionally, 3 focus group discussions and 2 in-depth interviews were organized at the local level with representatives from IPs, marginalized groups, and DFO officials. The purpose of these interviews was to manage stakeholder expectations and clarify the roles of IPs, Dalits, Madhesis, Muslims, women, and other local communities in the ER Program area.

Figure 3: DEVELOPMENT OF THE BSP



At the federal level, consultations with experts (representatives of the South Asia Institute for Advanced Studies (SIAS), The Centre for People and Forests (RECOFTC), the Nepal Foresters’ Association (NFA), and as well representatives of CSOs (the Nepal Federation of Indigenous Nationalities (NEFIN), FECOFUN, ACOFUN, the Dalit NGO Federation (DNF), the Rastriya Dalit Network (RDN), the Dalit Alliance for Natural Resources (DANAR)), women’s networks (e.g., the Himalayan Grassroots Women’s Natural Resource

Management Association (HIMAWANTI) and the National Indigenous Women Forum (NIWF), the Community-Based Forestry Supporters' Network, Nepal (CoFSUN), and the International Watershed Management Institute (IWMI) were conducted. A total of 45 participants, including 37 women, took part in the consultations. Different views and suggestions regarding beneficiary eligibility criteria, the institutional setup for the distribution of benefits, organizational representation, beneficiary selection, and payment modalities were collected and duly consolidated, accounting for the concerns and recommendations voiced at stakeholder consultations in the field. The concerns that were expressed at these consultations have enriched the BSP and enhanced the legitimacy of the BSP development process.

Table 3: Summary of Concerns and Suggestions from Stakeholder Consultations

Discussion Level 1: ER Program districts (six plenary consultations) and focus group discussions

Participating organizations	Issues discussed	Key concerns and suggestions
IPs network: NEFIN (Nepalese Federation of Indigenous Nationalities)	Identification of beneficiaries based on forest management responsibilities (de jure and de facto)	<ul style="list-style-type: none"> <li>Government-managed forests, community-managed forests (CFUGs, LFUGs, CollFUGs, BZCFUG, RFUGs) and privately and customarily managed forests</li> </ul>
	Identification of beneficiaries within forest groups for intra-group equity <ul style="list-style-type: none"> <li>Large contribution to ER</li> <li>High forest dependency</li> <li>Social justice</li> </ul>	<ul style="list-style-type: none"> <li>Raute, Sonaha, Lohar, Dalit, Chepang, disabled people, Tharu, Raji, Chidimar, and other IPs, Muslims, Madhesi, and poor forest households and their female members across all these groups, who are legal members of a forest group (managing community, collaborative, leasehold, and religious forests) or conserving forests through customary practices.</li> <li>Forest-dependent households not belonging to a forest group should also be eligible for benefits.</li> </ul>
	Institutional setup for the flow of funds	<ul style="list-style-type: none"> <li>Mandatory representation of NEFIN, Dalit network, FECOFUN, ACOFUN, HIMAWANTI</li> <li>Less complex system of distribution, few layers to reduce operational costs and increase efficiency, transparency, and inclusion</li> <li>Representation of government and civil society in steering committees should be at least equal; otherwise, higher CSO representation.</li> <li>Province-level representative should take part in federal steering committee to increase ownership</li> </ul>
	Share of benefits	<ul style="list-style-type: none"> <li>A higher share of benefits should go to the community (local level)</li> <li>Separate benefits should go to the customarily managed forests (which should be inventoried)</li> <li>Role of private forests should be considered in benefit distribution</li> </ul>
	Main non-monetary benefits	Details given in section 2.4

Discussion Level 2: Federal

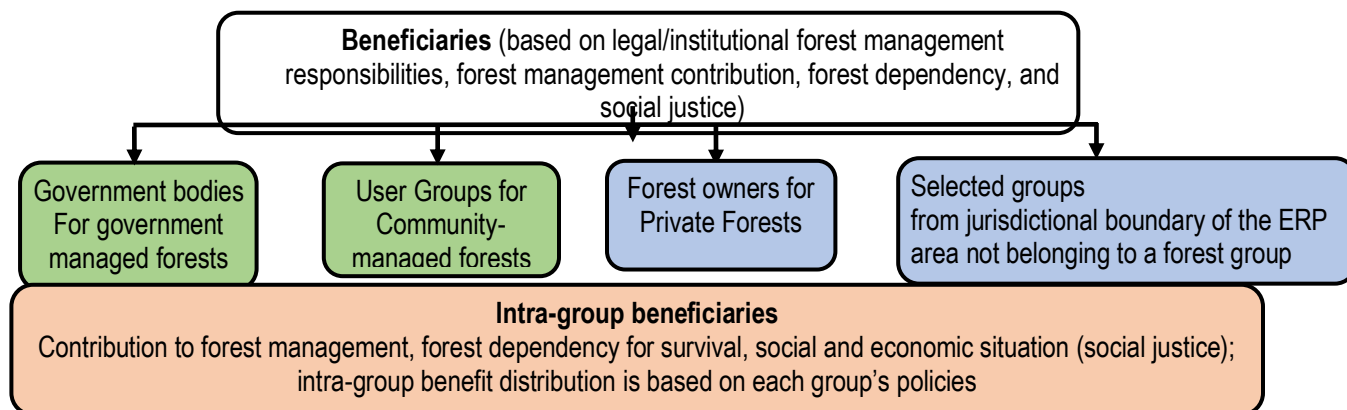
Participating organizations	Issues discussed	Key concerns and suggestions
<p>CSOs (NEFIN, HIMAWANTI, FECOFUN, ACOFUN, COFSUN, RDN, DNF, NIWF); government (MoFE, FRTC); private sector; networks of professionals (NFA) and experts (IWMI, SIAS, and RECOFTC)</p>	<p>Beneficiaries</p>	<ul style="list-style-type: none"> <li>• Government-managed forests and community-managed forest groups (i.e., CFUGs, LHFUGs, CoIFUGs, BZCFUGs, and RFUGs) and customarily managed forests</li> <li>• Distribution of benefits based on per unit area of forests should not be the same for government-managed and community-managed forests. Benefits should consider the historical contribution of community-managed forests to the sustainable management of forests.</li> </ul>
	<p>Institutional setup for benefit sharing</p>	<ul style="list-style-type: none"> <li>• At least 40 to 50% of representation of women in both federal and local level funds sharing steering committee</li> <li>• Representation of NEFIN &amp; federations of forest user groups</li> <li>• Clarify the role of provincial Forest Directorate (REDD-Desk)</li> <li>• FLHFUG on the federal level steering committee</li> </ul>
	<p>Share of benefits</p>	<ul style="list-style-type: none"> <li>• Significant share of benefits should go to local communities</li> <li>• Basic allocation is a good idea to address the needs of forest-dependent households not belonging to forest groups</li> </ul>

## CHAPTER 2. BENEFICIARIES, BENEFITS AND COSTS OF THE ER PROGRAM

### 2.1 Selection of Beneficiaries

This BSP adopted a combination of legal management responsibilities, ER activities, and dependency and social justice to identify beneficiaries for the ER program (Figure 4). The beneficiaries includes the government bodies, community-managed forest groups, private forest owners, and forest-dependent households and communities outside of the forest user groups. In line with the stakeholders' recommendations, the BSP identifies intra-group beneficiaries—households and individuals (e.g., women) within community-managed forest groups—to enhance intra-group equity. Benefits will be mobilized by forest groups in accordance with current legal provisions on Forest Act and regulations.

Figure 4: BENEFICIARY CATEGORIES



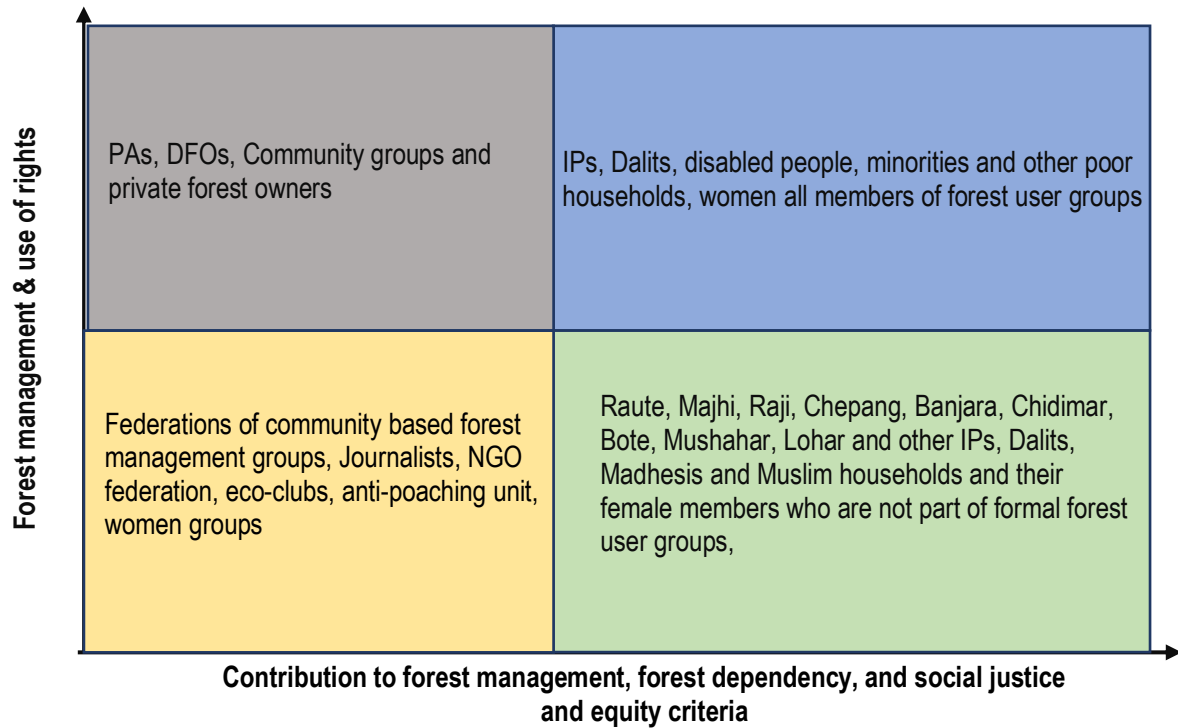
#### 2.1.1 Eligibility Criteria for Institutional Level Beneficiaries

Institutional responsibility for forest management is the first beneficiary eligibility criterion that considers the formal management responsibilities. This level of beneficiaries includes the PA authorities, DFOs under provincial government for government-managed forests, and forest groups for community-managed forests, leasehold forests, collaborative forests, buffer zone community forests, and religious forests (Figure 5). There are altogether 2,361 forest groups (CFUGs: 2,184; LHFUGs: 159; Coll FUGs: 18; and various religious forest user groups (RFUGs) currently managing around 46% of forested land (0.38 million ha). Similarly, 0.454 million ha of forests, including protected forests, are managed by the government. Furthermore, in the case of public land forestry where local government are involved in afforestation/plantation and forest management activities in open space within their jurisdiction, concerned local level governments will also be eligible for ER payment as a beneficiary. All these beneficiaries fall in the top left and right quadrant of Figure 5.

The beneficiaries also includes private forest owners who wish to grow forests and trees on their private land, as shown in the top left quadrant (Figure 5). In addition, this category includes households, communities, and individuals that do not belong to a forest group but are highly forest-dependent for their livelihoods and survival. The distribution of benefits to these households and communities aims to reduce their forest dependency and enhance their livelihood (equity), thereby also reducing emissions.

Stakeholders were involved deciding what groups are eligible in the latter category. They identified forest-dependent nomads (Raute), herders, free bonded laborers (Mukta-Kamaiya), Chidimar, Raji, Bote-Majhi, Musahar, Chepang, Banjara, and poor Dalits such as Sonaha, Dom, Halkhor, and Lohar (bottom right quadrant of Figure 5). These groups are not members of formal forest groups, for several reasons, but still rely on the forests of the ER Program area for their livelihood.

Figure 5: ELIGIBILITY CRITERIA AND IDENTIFIED BENEFICIARIES



## 2.1.2 Eligibility Criteria for Household and Individual Level Beneficiaries

The household members of the formal and informal forest user groups are the end beneficiaries. Whether they are eligible depends on their efforts and contribution (time and kind) to forest management, the degree of forest dependency for their survival, their social and economic status (social justice and equity aspects) and whether they have traditionally managed forests for cultural and spiritual reasons (Table 4). Many vulnerable groups, such as the female members of eligible households, are the end beneficiaries of the ER Program. Involving household beneficiaries within the forest user groups will enhance intra-forest groups' equity and social justice and reinforce their motivation toward forest conservation and ER. The beneficiaries of this category are shown in the top right quadrant of Figure 5.

Table 4: Recommended Beneficiary Categories and Their Level of Forest Dependency and Contribution and Social Justice Considerations

Beneficiary category 1: Government (DFO) (facilitating and implementing organization)

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
<ul style="list-style-type: none"> <li>Plan and implement forest management activities in coordination with the local government and local communities (community-managed forest groups—i.e., CFUGs, CollFUGs, LHFUGs).</li> <li>Facilitate the linking of local forest user groups with local government officials and provide technical backstopping to them to implement forest activities.</li> </ul>	<ul style="list-style-type: none"> <li>Avoid risk reversal activities with the benefits (e.g., purchasing of chain saw, investment in forest road construction, mining equipment, hunting equipment)</li> <li>Include forest conservation activities in Annual Plan</li> <li>Establishment of multi-species nursery and mixed plantation</li> <li>Avoid ineligible activities as stated in Table 9.</li> <li>Also act as DPMU</li> </ul>	High (de jure)	High (facilitate implementation of ER-related forest management interventions)	No	Low

Beneficiary category 2: Community-managed groups

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
<ul style="list-style-type: none"> <li>• CFUGs,, CollFUGs, LHFUGs, BZCFUGs and RFUGs involve in protection, management and utilization of forest resources</li> <li>• Implementation of forest activities to reduce emissions and enhance carbon stocks</li> <li>• Monitor and ensure the “Do no harm” principle is respected when forest products are used for survival during implementation of the ER Program.</li> <li>• Ensure equitable benefit sharing within groups among households considering their contribution, forest dependency, and social justice.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Investment Plans with detailed forest conservation activities and submit it to DFO (DPMU)</li> <li>• Use of ER benefits to avoid risk reversal (not to risk reversal activities such as purchase of chain saw, investment in forest road construction, mining equipment, hunting equipment), but use of benefits to nursery establishment, plantation, river control, restoration and carbon enhancement activities)</li> <li>• Enrichment plantation of mixed tree species</li> <li>• Ensure sustainable harvesting practices in accordance with Forest Operation and Sustainable Forest Management Plan (e.g., protect trees nearby water sources)</li> <li>• Engage in forest measurement and monitoring <ul style="list-style-type: none"> <li>• Avoid ineligible activities as stated in Table 9.</li> </ul> </li> </ul>	High (de jure)	High (motivate and mobilize household members for forest conservation)	High (ensure current use of forest products is not jeopardized)	High: facilitate social justice (by identifying socially and economically vulnerable households for benefits)

Beneficiary category 3: Forest-dependent poor households (other than forest groups), including IPs, Dalits, Madhesis, and Muslims and their women

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice



Poor households not-belonging to a forest group but rely on forests of the ER Program for their survival. They are responsible for implementing non-forest activities to survive with the support of the ER Program and local DFOS.	<ul style="list-style-type: none"> <li>• Involve in forest management activities</li> <li>• Use of benefits that support reducing forest dependency (income generation outside forest, energy)</li> <li>• Avoid ineligible activities as stated in Table 9.</li> <li>•</li> </ul>	Low (no rights)	Medium	High	Medium
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Beneficiary category 4: Private forest owners

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
Implement the private forest initiatives such that forest dependency in the ER Program area is reduced.	<ul style="list-style-type: none"> <li>• Develop Business Plan with details of forest development activities, tree species, and submit to DFO (DPMU)</li> <li>• Plantation of native and mixed plant species</li> <li>• Avoid ineligible activities as stated in Table 9.</li> <li>• Consult and seek technical support from DFO and forest groups.</li> </ul>	High for private forests	Medium	Medium	Low

2.2 Types of Benefits

Based on recommendations from stakeholders, this BSP recognizes both monetary and non-monetary benefits under the ER Program. The distribution of non-monetary benefits—in the form of goods and services—intends to create new job opportunities, change behavior, incentivize desirable actions, enhance skills, facilitate community empowerment, and provide concrete benefits to households, community-managed forest groups, executive committee members of community-managed forest groups, federations of forest groups, private owners, and government officials. The different types of non-monetary benefits and their respective beneficiaries are shown in Table 5. Both federal and local fund management steering committees will decide on the share of benefits to be distributed to each of the eligible beneficiaries (see section 3).

Table 5: NON-MONETARY BENEFITS TO BENEFICIARIES

Capacity-building/ Training

Type of non-monetary benefits	Relevant target group for non-monetary benefits	Type of beneficiaries	Rationale (for distributing these benefits to these beneficiaries)

Capacity-building training, skill-based and income-generating activities, employment	Poor (low-income) households	Households in community-managed forest groups	Survival-oriented forest dependency is a key driver of forest degradation in the ER Program area. Developing alternative livelihood opportunities through skill enhancement and promoting employment opportunities and income-generating activities can substantially contribute to the ER target.
Income generation, livelihood-improvement training (e.g., leaf plate making, modern fishing technology for Bote-Majhi, modern iron working technologies and skills for blacksmiths and other typical Dalit occupations) and employment.	Preparation of local resource persons in each forest user group engaging IPs and marginalized groups (women, Dalits, Madhesis, Muslims, and other poor households for employment generation, Bote-Majhi, Blacksmith and other Dalits.	Households in community-managed forest groups	As pointed out in row 1, income generation activities and promotion of livelihood opportunities—specifically for the Dalit, the poor, and marginalized households— could be one of the intervention strategies pursued to reduce forest dependency and enhance livelihoods aimed at long-term ER.
Capacity-building training (to enhance rights over natural resources)	IPs, women, Dalits, poor and other marginalized households	Households and household members (e.g., women) in community-managed forest groups	In some cases, marginalized households of Dalits, IPs, and women do have access to good-quality natural resources including forests. Ensuring their access to these resources enhances ownership of forest management, thereby contributing to ER.
Leadership training and skill-based training	IPs, Dalits, Madhesis, Muslims, and women with priority to poor, domestic violence affected and conflict victims	Households and household members (i.e., women) in community-managed forest groups	This type of training is to empower women, and marginalized households of Dalit, Madhesis and Muslims to encourage them for the participation

			of social and resource management activities.
Training on social analysis skills	Government staff, FECOFUN, ACOFUN, FLHFUG, HIMAWANTI, and executive committees of forest user groups	Federation of forest groups and executive committee members of community-managed forest groups	Federation and executive committee are the gatekeepers regarding women's participation. In some cases, the lack of understanding of the importance of social inclusion explains the inadequate participation of women in the executive committees of forest user groups and their federations. Training these male-dominated groups enhance their social analysis skill.
Forest management training including forest fire management training	All members of forest user groups with 50% women from diverse forest-dependent communities	Government and community-managed forest groups	Fires have been identified as one of the threats to forest conservation in the ER Program. Thus, providing fire control equipment to forest groups and their federation and DFO staff is urgent to control the risk of fires in the ER Program.
Allocation of benefits to operationalize revolving fund—for income-generating activities	Forest users with 50% women from diverse forest-dependent communities	Community-managed forest groups	Development of a revolving fund and its operationalization for poverty reduction and income-generating activities is a long-term strategy of livelihood improvement.
Account-keeping training	Executive committee members (treasurers)	Community-managed forest groups	Every forest user group has to submit an audit report on ER benefits, which requires account-keeping skills.

REDD+ training	Federations of community-managed forest user groups (FECOFUN, ACOFUN, and FLHFUG), HIMAWANTI, IPs, Dalits, Madhesis, Muslims, women, and poor households of forest user groups	Federations of community-managed forest groups, households	Most members of the FECOFUN and household members are not familiar with the concepts of climate change and REDD+. As the forest user groups (federations) are facilitators and recipients (member households of forest groups), they need to understand REDD+ to cultivate their roles and responsibilities in the ER Program.
Training on geographic information systems (GISs) and remote sensing	Staff and technicians	Government	DFO staffs need training on geographic information systems (GISs) and remote sensing, as these are part of the ER Program's MRV and forest inventorying.
Conservation of traditional knowledge	Ips (particularly women)	IP households, community-managed forest groups	Ensure safeguards are in place to protect and preserve traditional knowledge systems of forest management
Training on sustainable forest management	Forest user groups with 50% women from various forest-dependent communities	Community-managed forest groups and government	Enhance skills of forest group member households and DFO staff
Carbon measurement training	Local resource persons, 50% of whom should be women from diverse social groups	Government and community-managed forest groups	The BSP suggests mobilizing local resource persons for MRV and community-based forest monitoring. Basic forest inventorying and carbon measurement are crucial to enhancing their skills.

Nursery establishment and seedling production and distribution	Private forest owners and community-managed forest groups in which 50% should be women from various forest-dependent communities	Government, private forest owners and forest users	As identified by the ERPD, the promotion of private forest initiatives is one of the ER Program's key activities. The establishment of nurseries and the distribution of seedlings are important activities in this context.
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### Goods and Services

Type of non-monetary benefits	Relevant target group for non-monetary benefits	Type of beneficiaries	Rationale (for distributing these benefits to these beneficiaries)
Forest fire control equipment and fire lines construction	Forest users, 50% of whom should be women from various forest-dependent communities; forest watchers, and households nearby the forests who are likely affected by the forest-fire incidents (poor households including IPs, Dalit , Muslims, Madhesi and their women members.	Community-managed forest groups members living nearby the forests	Reduce forest degradation resulting from fire incidents
Seedling distribution	Private forests owners including women from various forest-dependent groups	Private forest owners	Increase easy access of private forest owners to seedlings and sustainable plantation techniques
Weeding and cleaning instruments	Community-managed forest groups in which women from diverse forest-dependent communities make up 50% of the members.	Community-managed forest groups	Enhance forest management skills

Medicinal processing technology and materials	Local communities with 50% women from various forest-dependent communities.	Community and forest groups and their member households	Increase income-generating activities
Briquette, biogas, and improved cookstove	Forest user groups members with 50% women from various forest-dependent communities.	Forest-dependent households in- and outside of forest user groups	Reduce forest dependency on fuel wood
Collection of firewood from rivers for forest-dependent communities other than forest groups	Firewood-dependent households other than forest group members	Households not belonging to forest groups	Reduce fuel wood pressure on community-managed forests and government-managed forests
Provide manual forge blower to blacksmiths using coal for iron work, finding alternative income sources and offer skill-based training	Coal collectors (blacksmith) and Raji-mud pot making	Households and communities not belonging to forest user groups - Occupational caste groups	Promote traditional occupations and diversify people's livelihood opportunities, thereby reducing their dependency on forests

As indicated in Figure 5, the federations of forest groups, the Federation of IPs and executive members of forest user groups placed in the top left quadrants are not eligible for *monetary* benefits from the ER Program. However, stakeholders have concluded that assigning non-monetary benefits to them for their roles are still crucial to the implementation of the ER Program. Other beneficiaries of *non-monetary* benefits—based on their roles in the ER Program implementation—are the government (DFO), the federations of forest users, private forest owners, among others. Table 6 shows the beneficiary categories that are eligible for monetary and non-monetary benefits generated by the ER Program.

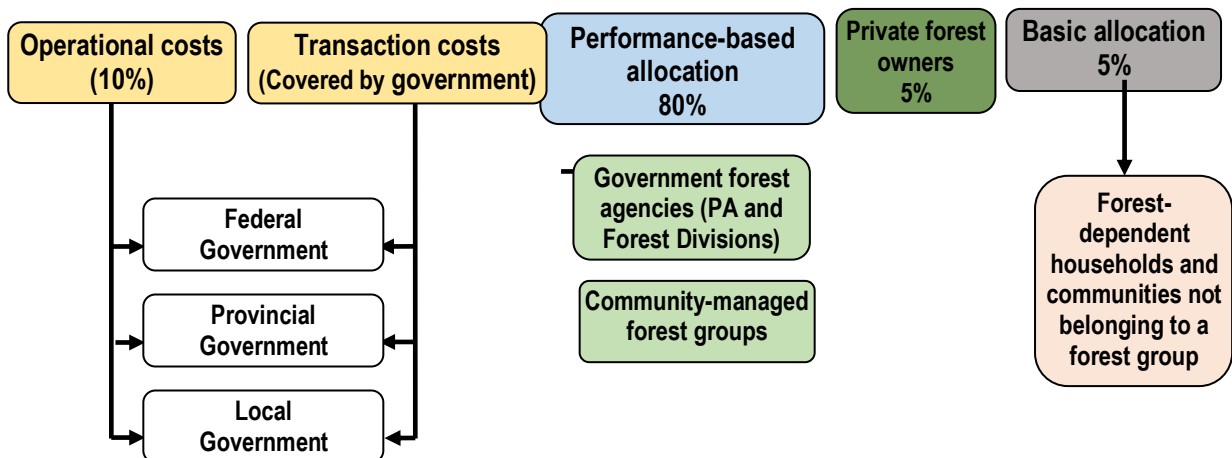
Table 6: Monetary and Non-Monetary Beneficiaries of the ER Program

SN	Beneficiaries	Monetary	Non-monetary
1	Government forest agencies (PA Authorities and DFOs)	√	√
2	Community-managed Forest groups including users of customary forest management practices (CFUGs, CollFUGs, LHFUGs, BZCFUGs, and RFUGs)	√	√
3	Households and communities outside the forest user groups	x	√
4	Private forest owners	x	√

## 2.3 Allocation of Benefits

Monetary benefits will be distributed based on a combination of performance, equity, and social justice criteria. 80% of the total payments will be allocated for the local level beneficiaries as indicated in table 6 above. Out of total benefits to the local level beneficiaries, 80% will be disbursed to the government forest entities and community-based forest user groups on the basis of performance. Furthermore, non-monetary benefits amounting to 5% would be distributed to private forest owners of the program area, and another 5% to forest-dependent communities not belonging to a forest group. The beneficiaries who receive 5% basic allocation are not same as those who receive performance allocation. These are two different categories of beneficiaries, and no beneficiary would receive payment under both performance allocation and basic allocation. A further 10% will be allocated to federal, provincial and local government to cover the operational and management costs. The cost of activities for MRV, forest database management, forests carbon assessment, implementation and monitoring of environmental and social safeguards, implementation and monitoring of the ER Program, and resolution of benefit sharing–related complaints and grievances come under the transaction costs. and are managed by government budget. This distribution of benefits is illustrated in Figure 6 and detailed in sections 2.3.1 - 2.3.5.

Figure 6: DISTRIBUTION OF BENEFITS



### 2.3.1 Allocation for Operational Costs

10% of the ER payment has been allocated to cover costs related to the operation, management and functioning of the institutional setup for the distribution of funds incurred at the federal, provincial, and local levels. These include the administration, communications, and establishment of FDF, as well as the financial management costs pertaining to the operation of the PMUs and steering committees at federal and local level, and the administration of REDD Desks at the provincial level. A detail description of each cost category and cost estimates are given in Table 7.

Table 7: Breakdown of Budgeted Operational Costs (000 USD)

Type of costs	Year								Total
	2018	2019	2020	2021	2022	2023	2024	2025	
<b>At the federal level</b>									
Operation of bank account	*	*	*	*	10	10	10	10	<b>40</b>
Steering committee costs (meetings allowance, communication, lodging and food for provincial representatives, 3 times in a year for 7 members of FDF PDIC and other invitees including from REDD IC)	*	*	*	*	30	30	30	30	<b>120</b>
Federal PMU (FDF secretariat expenses)	*	*	*	*	20	20	20	20	<b>80</b>
Internal audit (FDF)	*	*	*	*	20	20	20	20	<b>80</b>
<b>At the provincial level</b>	*	*	*	*					
REDD Desk operation (provincial coordination & communication)					60	60	60	60	<b>240</b>
<b>At the local level</b>									
Audit by the Office of Auditor General		*	*	*	20	20	20	20	<b>80</b>
Meeting allowance for steering committee members (3 meetings per year of 144 local steering committees of 9 members)	*	*	*	*	20	20	20	20	<b>80</b>
Orientation and capacity building activities (costs incurred to organize skills development training)	*	*	*	*	100	100	100	100	<b>400</b>
<b>Total</b>					260	260	260	260	<b>1040</b>

### 2.3.2 Allocation for Transaction Costs

Up to 20% of the ER payment equivalent will be allocated to cover the transaction cost through government budgetary system. It includes the cost of activities associated with MRV; maintenance and operation of the database on forest carbon; assessment, implementation and monitoring of environmental and social safeguards; implementation and monitoring of the ER Program; and resolution of benefit sharing-related complaints and grievances. The budget is allocated in the PMUs at the federal (FDF secretariat), provincial (REDD-Desk), and local level (DFO), based on the scope of the activities implemented at the respective levels (Table 8). For example, Nepal's national database on forest carbon will be established and operated as a data repository and clearing house by REDD IC at the federal level, while MRV will be carried out at all three levels.



Table 8: POTENTIAL BUDGET ACTIVITIES OF TRANSACTION COSTS (USD, THOUSANDS)

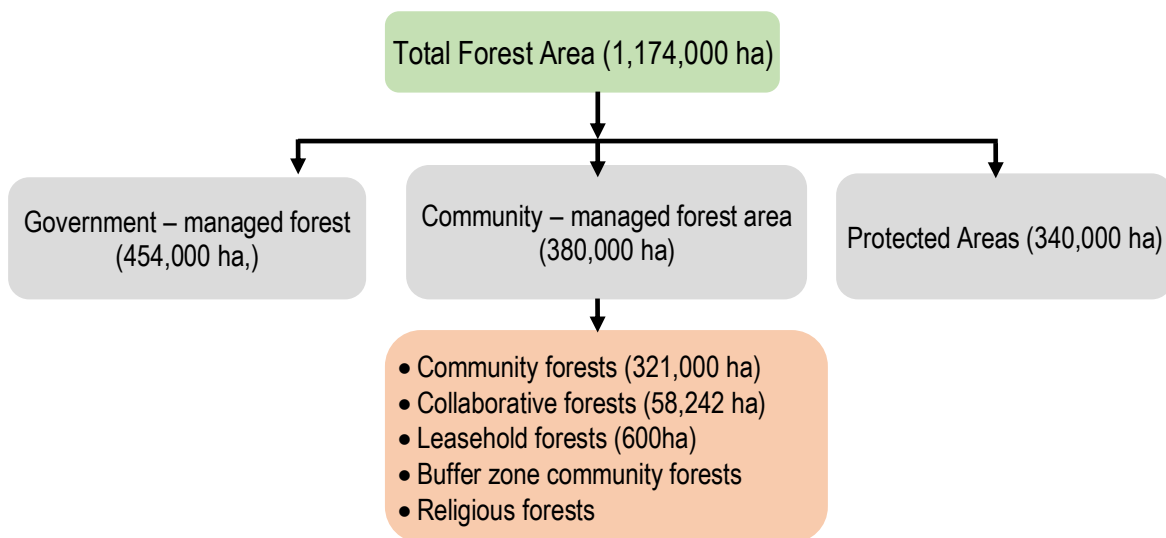
Cost category	2018	2019	2020	2021	2022	2023	2024	2025	Total
<b>At the federal level</b>									
Operation of carbon database system (database of the ER Program area's quantified ERs and carbon removals)	0	0			20	20	20	20	80
MRV team , including specialists (oversee MRV process and monitoring)	0				50	50	50	50	200
Forest monitoring and reporting (MRV) (specialists, technicians, and data analysts)	0	0			500		1,000		1500
Safeguards assessment, implementation and monitoring throughout implementation of ER Program in compliance with safeguard instruments—ESMF and its constituent frameworks—and, national SIS (to be developed) (safeguards team including a safeguard specialist at the federal level)	0				50	50	50	50	200
FGRM: Assess and facilitate the process of grievance resolution (by the safeguards specialist)	0				20	20	20	20	80
<b>At the provincial level</b>									
REDD – Desk (MRV facilitation, FGRM assess and resolve)	0				50	50	100	50	250.0
Safeguards monitoring	0						50	50	100
<b>At the local/district level</b>									
MRV (development of local resource person and mobilization)	*						200		2000
Community-based monitoring and information system (CBMIS)	*						200		200
FGRM (receive, review and resolve)	*				15	15	20.	15	60
Database preparation (at DFO as DPMU) hiring staffs	*				50	50	50.	50	200
<b>Total</b>	0	0			755	255	1760	305	<b>3075</b>

### 2.3.3 Performance-Based Allocation to Government, and Community-based Forest Management Groups

80% of the total benefits will be provided to government, and community-managed forest groups based on the of level of performance as identified by the ERPD, with 5% benefits to the private forest owners of the program area . The rational for benefit allocation will be the performance of the ER interventions across the gross forest area (ha) under a management unit where activities will be implemented. Any forest that has approved management plan will be considered as a management unit. The performance level will be

calculated considering the entire area as one unit for that particular management. For example, a community forest of 90 ha with a functional management plan will be one forest management unit. The performance level will be assessed for the entire 90 ha considering it as one unit. Taking reference from similar BSP from other countries, the monetary benefit shared across forests in protected areas will be 20% while for all kinds of forest management regimes it will be 40%. In an area of 100 ha, suppose the forest under protected area is 20 ha, community forests 40 ha and government managed forest 40 ha, benefit provided to each type of the forest management regime will be 20, 40 and 40 units for protected areas, community and the government managed forests respectively assuming the performance by all types of management regimes remains the same. The BSP has followed a simple approach for incentivizing sustainable management of forests as identified by the Paris Agreement. Clause 5.2 of the Paris Agreement has put emphasis for "result based payments" and "identified the role of conservation, sustainable management of forests and enhancement of forest carbon stocks" for such payments along with "incentivizing non carbon benefits" generated due to above actions. The breakdown of forest area under ERP area for management and potential incentivization is shown in Figure 7.

Figure 7: Breakdown of Total Forest Area



To be eligible for benefits, each forest user group should submit an Investment Plan (Box 1) with details on the planned forest activities, the use of benefits, and a tentative approach for the intra-group benefit distribution within the required timeframe (see Table 15 for more details). An Investment Plan is a precondition for any forest group to be able to access the ER Program benefits. Similarly, development of Annual Plan is the precondition for DFOs to access to the ER Program's benefits. The Annual Plan is prepared by DFOs for government managed forest, and a periodic plan for PA prepared by PA authorities.

**Box 1: INVESTMENT PLANS**

An Investment Plan is a commitment document developed by forest user groups. They are intended to recognize that member households contribute to forest management and depend on forests to different degrees, and households whose contribution and forest dependency are the highest should get the highest benefits.

The development of an Investment Plan provides forest groups with an opportunity to specify how they intend to achieve ERs, enhance carbon stocks, and distribute benefits to their member households, based on the following factors:

- Forest management activities that contribute to reducing forest degradation and enhancing carbon stocks
- Off-site activities that contribute to forest dependency thereby reduces carbon emissions
- Level of forest-dependency for survival
- Equity (socially marginalized households, low-income households, gender, caste and ethnic groups -customary practices).

The plan presents undertaking various forest management activities that contribute to reversing deforestation and degradation and enhancing carbon stocks. An Investment or Annual Plan must not contain ineligible activities (as shown in Table 9) and are required to ensure: (i) the proper distribution of benefits to qualifying (socially and economically diverse) households in the forest groups (see Box 1) and (ii) forest activities are implemented in line with the ERPD so they contribute to ERs. More details on Investment Plans are in Annex 15.

Table 9: Ineligible ACTIVITIES<sup>13</sup> for Receiving Benefits

1	Any kind of monoculture practices
2	Use of exotic tree species and/or high –water consuming species
3	Use of tree species that are not suitable for the sites
4	Category A <sup>14</sup> activities or those with adverse environmental and social impact
5	Activities in hotspot area, critical habitat/biodiversity, strict protection zones
6	Activities that would involve involuntary resettlement
7	Activities that would involve significant use of chemical pesticides
8	Clear cutting during harvesting
9	Construction of roads within forests
10	Use of fund for purchasing harvesting equipment such as chainsaws

The performance assessment of the community managed forest is made by the DFO and FRTC for government managed forests. Since the core of the BSP is to incentivize sustainable actions for ER, it is

<sup>13</sup> The ESMF contains a list of ineligible activities (see section 4.3.5 Exclusion list of projects), and all potential projects are screened according to the list of environmental and social screening criteria (see 4.3.2).

<sup>14</sup> Category A activities are those activities that are likely to have significant adverse environmental and social impacts, and that are sensitive, diverse, or unprecedented.

equally important that forest management units that are best performers gets rewarded compare to non-performers or little performers. The DFO and FRTC which are key institutions that recommends the performance levels for community managed and government managed forests respectively exhibiting the level of performance to FDF. For PAs, since there are few activities under ER, the area-based allocation will be considered appropriate for incentivizing their efforts. As long as protection regime exists, the role of conservation, maintenance of carbon sink, ensuring permanent forest estate in perpetuity will be ensured.

The forest user groups will mobilize the ER Payment in accordance with current benefit distribution guidelines and existing policy provision for provisions of the 2019 the Forest Act. The 2019 Forest Act stipulates that 25% of the total income of community forests should go to forest development, conservation, and management activities. Of the remaining 75%, half should go to poverty reduction, women's empowerment and the development of forest-based enterprises (in consultation with the local government), and the other half to group welfare activities. Specific details on planned and implemented activities and the distribution of benefits themselves will be contained in the respective forest user group's Investment Plans.

Investment Plans also contain expressions of interest in non-monetary benefits for individual households and forest user groups. DFOs (as DPMUs) will review each Investment Plan and compile the needs of all forest user groups. A list of non-monetary benefits for the 13 districts of the ER Program will be compiled by the REDD IC and forwarded to the FDF PDIC for decision-making.

#### **2.3.4 Allocation to Private Forest Owners**

5% of the ER payment will be allocated for private forest owners based on frequent discussions related to the issue of incentivizing private forest owners in the ER program area during consultations. Consultations further noted that area held by private forest owners are modest and majority plots are less than one hectare area. This benefit will help with the cost of plantations and Sustainable Management of Private Forests. With support of DFOs (as DPMUs), local government will develop a database<sup>15</sup> on current local private forest owners and interested candidate households to promote registered private forest ownership, as provided for in section 35 of the 2019 Forest Act (whereby private forests are formally registered with the local government based on the recommendation of DFOs).

To be eligible, private forest owners should develop a Business Plan for the promotion of private forests. DFOs will support the interested individuals to develop Business Plans, which will entail details of forest activities, including major tree species of plantation, forest management activities, and harvesting cycle, etc. The SDFO will submit the database and Business Plan, including a detailed cost estimate (training for technical capacity, seeding distribution etc.) to the respective local municipality for their review and approval (see section 3). Benefits will be in the form of goods (seedling), technology (plantation technique and training), and facilitation to be managed by local municipality.

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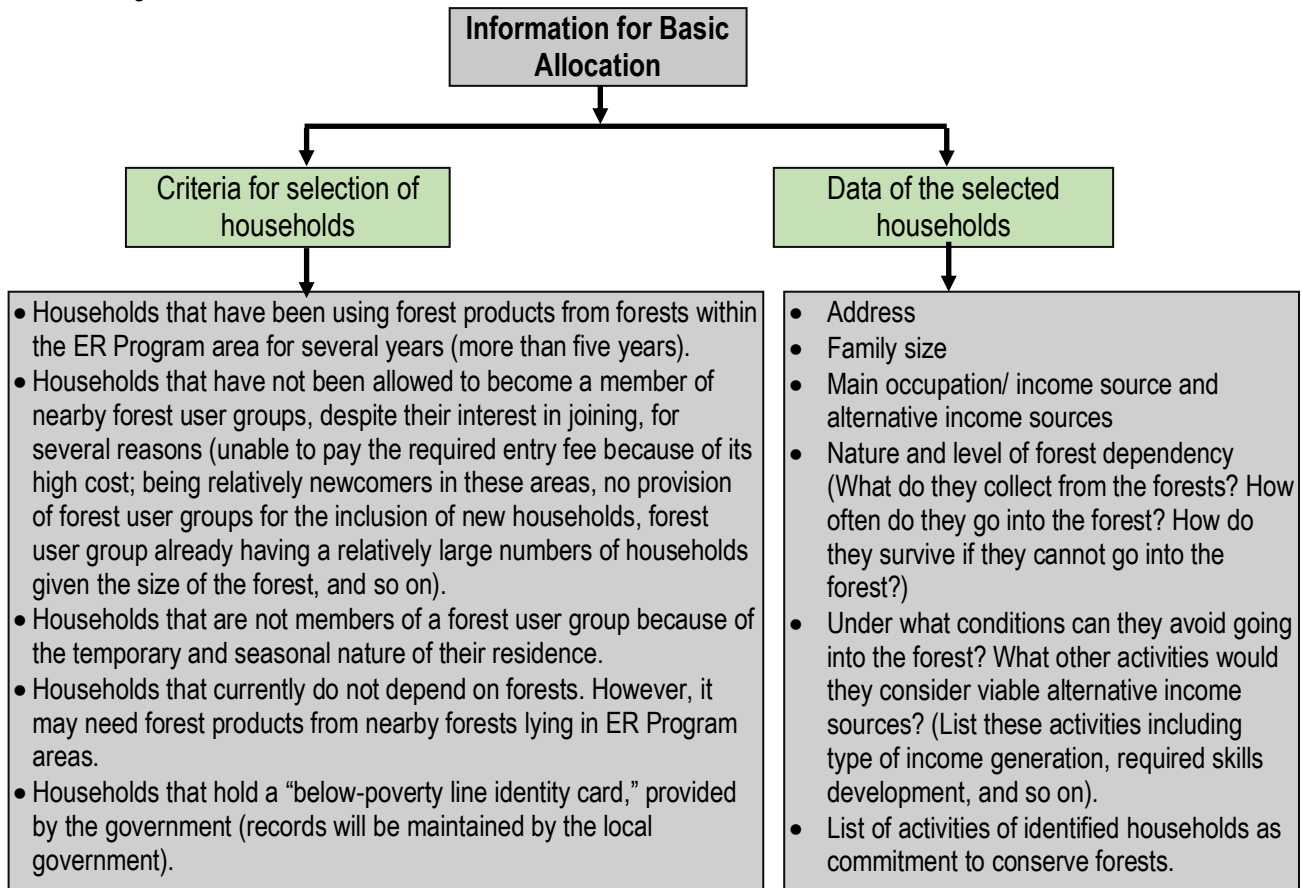
<sup>15</sup> The database shall include the area of land to be used for the proposed private forests, the preferred tree species, and the source of seedlings for these trees.

### 2.3.5 Basic Allocation

5% of the ER payment is allocated to forest-dependent communities and households not part of a forest user group but still heavily dependent on forests lying in the ER Program area. Figure 8 shows the criteria that will be considered, as well as the information collected, for the identification of beneficiaries.

Considering the criteria, DFOs (as DPMUs) in consultation with local forest users and the respective local municipality, will prepare the list of households as potential beneficiaries for a basic allocation. The DFOs will then identify the appropriate non-monetary benefits in terms of goods (income-generating products), and services (income-generating related skill-based training) based on the households' interest and current occupation. These will be compiled in a detailed non-monetary Benefits Distribution Plan, and include a breakdown of costs for each local government. Details on the identified households and Benefit Distribution Plan of the basic allocation will be forwarded to the local municipality for their review and approval.

Figure 8: Household Selection Criteria for Basic Allocation and Information of the Selected Households



## CHAPTER 3. INSTITUTIONAL ARRANGEMENTS FOR BENEFIT SHARING

### 3.1 Governance Arrangements

The distribution mechanism for the sharing of benefits is the Forest Development Fund (FDF)—a dedicated fund operated by a multi-stakeholder federal governing body to be established in accordance with section 45 of the Forest Act 2019 (as indicated in Box 2).<sup>16</sup> The overall distribution of ER payments to the identified beneficiaries will be managed by the FDF Program Development and Implementation Committee (PDIC), with the input and support of the REDD IC which working as the secretariate for FDF until a full phase FDF secretariate is established.

#### **Box 2: FOREST DEVELOPMENT FUND**

The Forest Development Fund (FDF) will be established under the provision made under section 45 of the Forest Act 2019 and the Forest Regulation 2022. The FDF will be a dedicated fund to facilitate sustainable forest management, including habitat conservation and rehabilitation, and to improve the livelihoods of affected communities, especially the poor and the disadvantaged. The Fund is designed to channel international and national forest financing, including those mitigating and offsetting the socio-environmental impacts from sectoral investments (hydropower, energy, agriculture and transport).

The FDF will be managed by a Program Development and Implementation Committee (PDIC), made up of representatives from the federal and provincial governments as well as civil society representatives. The PDIC will manage the ER payments as the federal fund management steering committee. The Secretary of the MoFE will head the PDIC which will sit at least twice in a year, or chair can call a meeting more frequently according to need. Based on the decision of the PDIC, Member-Secretary of the committee will authorize the disbursement of benefit-sharing payments.

The account of the FDF will be held with a Category “A” commercial bank. A detail of fund management and mobilization has been depicted in Forest Regulation 2022 and FDF manual. Expenditure and the details of each funding allocation, including ER Payments, will be kept separately, and the concerned division and department under MoFE have to submit expenditure and supporting details monthly, tri-monthly, and annually. An internal audit of the financial transactions will initially be performed by the finance controller office, followed by a final audit by the Office of the Auditor General. Forest Regulation 2022 and subsequent FDF Operational manual will provide further guidance for the operationalization of the FDF.

At the local level, Municipality or Rural Municipalities under each local government act as fund management steering committees to oversee the overall fund distribution in their respective jurisdictions. The committees are formed under the coordination of an elected member of local level government in pursuant to provision granted by section 14 of the Local Government Operation Act, 2017, and are comprised of seven to nine members representing the government, IPs, Dalits, women, and Muslims. These committees review and evaluate claims and Investment Plans, and make decisions related to the equitable distribution of ER payments to identified beneficiaries between the government and forest user groups; to private forest owners; and communities and households not belonging to a forest group, according to criteria presented in section 2.4.4.

While, the FDF PDIC and the local municipality or rural municipalities are responsible for supervising and decision-making regarding benefit sharing, the REDD IC and DFOs will support as PMUs at the federal and district level respectively. The PMU’s roles are to facilitate the distribution of benefits through efficient

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<sup>16</sup> The FDF structure and operations guidelines need to be assessed “satisfactory” by the World Bank before ER payments from the FCPF CF can be disbursed through the FDF to the beneficiaries.

communication and coordination with the FDF PDIC, REDD IC and the Municipality or Rural Municipalities at the respective levels. The PMUs' responsibilities further include the maintenance of databases (on ER related activities and beneficiaries) and the preparation of timely reports, facilitation of MRV, assist with maintenance and operation of the carbon registry, and safeguards functions.

In line with Nepal's National REDD+ Strategy, a REDD-Desk established at the Provincial Forest Directorate will act as the focal entity of the ER Program at the provincial level under the supervision of the Ministry of Industry, Tourism, Forest and Environment (MITFE). The REDD-Desk, in coordination with the Ministry, will provide guidance to and collect reports from the DFO (as DPMU) within its jurisdiction, and forward them to the REDD IC. In addition, REDD-Desks will support the MRV of ERs and deal with any feedback or grievances regarding benefit sharing. Table 10 provides an overview of the roles and responsibilities of the entities involved in the distribution of benefits.

**Table 10: Institutions Involved in Benefit Distribution and Their Roles**

**Level 1: Federal Level**

Institutions	Roles	Organization represented
FDF PDIC (federal fund management steering committee)	<ul style="list-style-type: none"> <li>• Manage overall distribution of ER payments to the identified beneficiaries, with support and input from REDD IC.</li> <li>• Receive, review, and approve performance-based ER payments (for both government-managed and community-managed forests).</li> <li>• Review and approve the basic allocation of ER payments.</li> <li>• Select and approve private forest initiatives in ER Program area (Business Plans of private forest owners reach the FDF PDIC through Municipality or Rural Municipalities).</li> <li>• Supervise the overall BSP implementation and strategize the management of fiduciary risks.</li> <li>• Provide timely strategic direction and guidance to the REDD IC.</li> </ul>	Made up of representatives from federal and provincial governments, civil society, as per Forest Regulation 2022
REDD IC	<ul style="list-style-type: none"> <li>• Provide support and input to the FDF PDIC for equitable, efficient and effective benefit distribution</li> <li>• Provide timely support, strategic direction and guidance to the FDF PDIC to facilitate decisions on benefit distribution: the basic allocation, all performance-based benefits (for government, forest user groups and privately forest owners) and disbursements for operation and transaction costs.</li> <li>• High-level oversight of MRV functions and review monitoring reports, including performance and safeguards assessment reports.</li> <li>• Ensure the benefit distribution is responsive from an equitable, efficient and effective manner, and Gender Equity and Social Inclusion (GESI) perspective (marginalized individuals and households including women, poor households of IPs, Dalits, Muslims, and Madheshis of community-managed forest groups receive benefits).</li> </ul>	Multi-stakeholder and inclusive membership, representing the government and CSO (as per Forest Regulation 2022)

	<ul style="list-style-type: none"> <li>• Support FDF PDIC and REDD IC as necessary</li> </ul>	
REDD IC (FPMU)	<ul style="list-style-type: none"> <li>• Overall coordination and facilitate the benefit distribution by bridging REDD IC and the FDF PDIC</li> <li>• Inform the REDD IC of the decision made by the FDF PDIC</li> <li>• Ensure transparent, adequate, and efficient information flow from federal to local level and vice versa.</li> <li>• Update the FDF PDIC and REDD IC of any significant concerns related to benefit distribution.</li> <li>• Coordinate and communicate with the provincial REDD-Desk and MITFE for ER activities through MoFE</li> <li>• Organize and facilitate meetings of the FDF PDIC and REDD IC.</li> <li>• Prepare annual plans and reports, inform the REDD IC and FDF PDIC, and submit relevant documents to the World Bank (FCPF)</li> <li>• Develop Project Operational Manual</li> <li>• Facilitate the transfer of funds from the FDF bank account to the district miscellaneous accounts.</li> <li>• Prepare documents for internal audit.</li> <li>• Coordinate and collaborate with the MRV implementing agency (FRTC) on forest survey and carbon accounting for timely preparation of the performance and maintenance of forest carbon registry.</li> <li>• Supervise the Carbon Accounting, Monitoring, and Reporting Coordination Section in creating and maintaining a database of quantified ER data available from the MRV implementing agency.</li> <li>• Review the database of 144 local governments that yields the list of beneficiaries (forest user groups for performance allocation and individual households for a non-monetary basic allocation) recommended by Municipality or Rural Municipalities , and prepare the final list of beneficiaries for the performance-based payment.</li> <li>• Ensure the beneficiary lists are disaggregated from GESI perspectives.</li> <li>• Coordinate with safeguards units and monitor the implementation of benefit sharing–related safeguards</li> <li>• Receive benefit sharing–related feedback and grievances from the provincial REDD-Desks, assess and facilitate to resolve the grievances through relevant legal institutions (institution of last resort is MoFE).</li> </ul>	MoFE/ REDD IC
Bank account management: Category A commercial bank	<ul style="list-style-type: none"> <li>• Operate financial management as per the direction of the FDF PDIC and FPMU.</li> <li>• Register ER payments in international currency (dollars).</li> </ul> <p>Provide REDD IC financial statements and documents required for internal audit</p>	Category A commercial bank



## Level 2: Provincial Level

Institutions	Roles	Organization represented
REDD-Desk/ Province Forest Directorate	<ul style="list-style-type: none"> <li>• Coordinate, monitor, and supervise DFO (DPMU) within the province for implementation and monitoring of the ER Program.</li> <li>• Collect reports and relevant databases from DFO (DPMU) and forward to REDD IC.</li> <li>• Participate in the FDF PDIC and REDD IC meetings and provide strategic directions, among others, regarding the issue of implementation of ER activities in the field.</li> <li>• Receive and assess feedback and grievances forwarded by DFO; forward unresolved grievances to REDD IC.</li> </ul> <p>Handle provincial coordination and supervision of the ER Program and benefit distribution.</p>	Provincial MITFE, Provincial Forest Directorate

## Level 3: Local Level

Institutions	Roles	Organization represented
Municipality or Rural Municipalities (local fund management steering committee)	<ul style="list-style-type: none"> <li>• Oversee benefit distribution in their respective jurisdictions</li> <li>• Approve database of 144 local governments that yields the list of beneficiaries (forest user groups for performance allocation and individual households for a non-monetary basic allocation).</li> <li>• Review Annual Plans of DFOs and Investment Plans of forest user groups and ensure activities listed in Investment Plan yield ERs through mitigation of deforestation and forest degradation, enhance the carbon stock, and maintain equity in distributing benefits to the identified end beneficiaries (strengthen intergroup, intra-group, and households' livelihoods).</li> <li>• Make decisions on and authorize performance-based payments to government, forest user groups.</li> <li>• Review and identify households and communities not belonging to forest groups for basic allocation.</li> </ul> <p>Review and identify private forest initiatives in ER Program area (for selection by FDF PDIC).</p>	Local Government
DFO (DPMU)	<ul style="list-style-type: none"> <li>• Facilitate and organize meetings of the Municipality or Rural Municipalities</li> <li>• Collect Annual Plans from DFOs and Investment Plans from the forest user groups and develop a database of forest area managed, the ER-related activities, local forest and financing activities, and social initiatives laid out in the Investment Plans</li> <li>• Report relevant data from the Investment Plans' database to the Municipality or Rural Municipalities for decisions on payment distribution.</li> <li>• Develop a local database of ER activities of government-managed and forest user groups (CFUGs, CollFUGs, LHFUGs, BZCFUGs, RFUGs, customarily managed), based on the MRV report.</li> <li>• Update and review database on forest-dependent communities other than forest groups for the distribution of basic allocations.</li> </ul>	DFO (sub-division Forest Office)

	<ul style="list-style-type: none"> <li>• Identify appropriate non-monetary benefits (income- generating activities, skill-based training, alternative energy sources) for forest-dependent communities other than forest groups for the distribution of basic allocations.</li> <li>• Create an extensive database of basic allocations for each local government and submit it to the Municipality or Rural Municipalities for approval.</li> <li>• Receive and register feedback/grievances from forest user groups and make these available to DFO and Municipality or Rural Municipalities to resolve local concerns.</li> <li>• Create a database of unaddressed feedback and unresolved grievances (handled by DFO and Municipality or Rural Municipalities ) and forward the records to the provincial REDD-Desk.</li> </ul> <p>Calculate the total benefits to be disbursed to the local government of the respective districts based on pertinent forest area (both government-managed and community-managed), basic allocation, and non-monetary benefits, and forward the figures to the REDD IC through the REDD-Desk.</p>	
	<ul style="list-style-type: none"> <li>• Operate financial management</li> <li>• Prepare the documents necessary for internal audit.</li> <li>• Provide the necessary recommendations for financial management.</li> </ul>	
DFO (beneficiary and facilitator)	<ul style="list-style-type: none"> <li>• Provide necessary support to host and establish the DPMU on their premises</li> <li>• Prepare Annual Plans with clear and dedicated forest activities in line with interventions reflected in ERPD to contribute to the ER and carbon stock enhancement and ensure these plans are GESI responsive.</li> <li>• Implement activities that yield ERs and enhance carbon stocks.</li> <li>• Submit Annual Plans to Municipality or Rural Municipalities through DPMU.</li> <li>• Facilitate local level MRV process (mobilization of DFO staffs for forest inventorying in their respective districts as coordinated and requested by the ER Program MRV team—FRTC).</li> <li>• Support forest user groups in preparing and implementing their respective Investment Plans, including from GESI perspectives.</li> <li>• Support DPMU in mapping/inventorying the status of forests that are customarily managed in their respective districts.</li> <li>• Resolve grievances and forward any unresolved grievances to the REDD-Desk.</li> </ul>	DFO

#### Level 4: Community Level

Institutions	Roles	Organization represented
Forest user groups and communities customarily managing forests (beneficiaries)	<ul style="list-style-type: none"> <li>• Develop and submit an Investment Plan with clearly defined activities and systems to the DFO (DPMU). Investment Plan should include: <ul style="list-style-type: none"> <li>○ Clear GESI indicators and activities and a mechanism for the benefit distribution to IPs, Dalits, Madhesis, and the women of the forest user groups</li> <li>○ Forest management activities that contribute to ER and carbon stock enhancement.</li> </ul> </li> </ul>	CFUGs, CollFUGs, LHFUGs, RFUGs including communities customarily managing the forest

	<ul style="list-style-type: none"> <li>• Implement activities that yield ERs and enhance carbon stocks.</li> <li>• Engage in local level MRV process (local resource persons, forest inventorying) as requested by MRV team and DFO.</li> <li>• Resolve household grievances through the subcommittee and forward unresolved grievances to DFO (DPMU).</li> </ul>	
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**3.2 Flow of Funds**

The Ministry of Finance (MoF) as per the ERPA will sign a Subsidiary Agreement with the FDF and delegate the responsibility to apply for, receive and make ER payments as per the BSP to the FDF. These performance-based ER payments will be transferred to the FDF. The FDF PDIC will receive, review, and approve all disbursements: all performance-based benefits, the basic allocation, and disbursements for operation and management costs as per the BSP. The REDD IC will provide support and input to the FDF PDIC decision-making. The account of the Fund will be held with a Category “A” commercial bank. Further fiduciary and other operational details will be contained in the guidelines to be released in the coming months – see Box 2)

Figure 9: Distribution of ER Payments through Forest Development Fund



## ***Performance-based monetary payments and non-monetary benefits***

### ***Forest user groups and government (DFOs)***

Payments will be allocated to eligible forest user groups and government entities based on the performance of their action on forest area (ha) they manage under the forest management unit (see section 2). This will occur having met the precondition of an Investment Plan for forest user groups or Annual Plan in the case of DFOs, and following review and approval by the local and federal fund management steering committees. Acting as the PMU at the federal level, REDD IC will facilitate the transfer of funds from the FDF to the Forest Divisions at various districts. Funds will be transferred from the FDF to the miscellaneous accounts<sup>17</sup>— bank accounts administered by the respective DFOs (Figure 9). The DFOs will act as the DPMUs to facilitate the management and distribution of benefits to the identified beneficiaries, in accordance with the recommendations made by the local municipalities or rural municipalities. The performance-based payments will be disbursed to the respective groups or electronically transferred as appropriate. The benefits allocated to the DFOs and PAs will be invested as planned and transferred to respective PAs for doing the same. The forest user groups mobilize ER payments in accordance with current benefit distribution guidelines and provisions of the Forest Act 2019. (As detailed in clause 22, 25% to forest development, conservation and management activities; 37.5% to poverty reduction, women’s empowerment and the development of forest-based enterprises; and 37.5% to group welfare activities). Specific details on planned and implemented activities as well as on the distribution of benefits will be contained in the respective forest user groups Investment Plans.

### ***Private forest owners***

The DFO (DPMUs) will provide non-monetary benefits to private forest owners based on the private forest database and Business Plans (detailed in section 2.3.4). Upon review and approval by the Municipality or Rural Municipalities, DFOs will send the consolidated data (drawn from database) to the REDD IC through the provincial REDD Desk (the latter is just for the record). FDF PDIC and REDD IC will review the data and make its final decision, after which the REDD IC will facilitate the disbursement of benefits to the DFO. REDD IC will allocate the funds to the respective miscellaneous account of the DFOs. The DFOs will then disburse the benefits allocated to the concerned municipality for the identified private forest owners in the form of goods (seedling), technology (training), and facilitation.

### ***Basic allocation***

In accordance with the decisions and recommendations of the local Municipality or Rural Municipalities, the DFO (as DPMUs) will distribute the basic allocation to the households and communities not-belonging to a forest group. As detailed in section 2.4.5, this is based on the list of potential beneficiaries (households) and

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<sup>17</sup> Note: while the English translations are “miscellaneous account”, this is equivalent to a dedicated account.

corresponding non-monetary benefits (goods and services) prepared by DFOs, in consultation with local communities and the respective local governments. DFOs will initially forward all local Benefit Distribution Plans for basic allocation to the REDD IC, through the provincial REDD-Desk, for consolidation. This consolidated plan will be shared with the FDF PDIC and REDD IC for review and approval. As per the decision, REDD IC will allocate the basic allocation to the respective miscellaneous account of the 13 districts, operated by the DFOs. In accordance with decisions of Municipality or Rural Municipalities, each DFO will then distribute the corresponding benefits to the identified households and communities of the 13 districts.

### ***Operation and transaction costs***

In accordance with decisions of the FDF PDIC, funds for operational and transaction costs will be disbursed to the PMUs at the federal (REDD IC), provincial (REDD-Desk), and local levels (DFOs), based on the scope of the activities implemented at the respective levels (outlined in Tables 7 and 8 in section 2). Funds will be transferred from the FDF to the miscellaneous accounts of the respective DFOs at the district level, to the account of the provincial Forest Directorates, and the account of the REDD IC within the MoFE at the federal level. Further details will be contained in the Project Operation Manual (POM) to be prepared by the REDD IC.

## CHAPTER 4: PERFORMANCE SCENARIOS

In this chapter, four performance scenarios are presented – 100% performance, 50% performance, 10% performance, and no performance. In case of no performance, there would be no payment from FCPF Carbon Fund. As a result, there would be no monetary benefits distributed to beneficiaries. But in remaining three performance scenarios, the same approach of benefit distribution would apply. The BSP recognizes that the benefit distribution will not change despite performance (i.e., distribution to one group will not be prioritized if insufficient funds are available).

### 4.1 Ex-ante Estimate of Emission Reductions

Table 11 presents the total ex ante ERs of the ER Program estimated over the 10-year lifetime through the implementation of the interventions proposed in the ERPD (REDD IC, 2018), and described in Chapter 1<sup>18</sup>. This BSP considers retroactive accounting/measurement from June 2018 (the ERPD approval date) to calculate the emission reduction performance<sup>19</sup>.

Table 11: EX ANTE Estimation of Emission Reductions During the Life of the ER Program

Year	FRL <sup>a</sup> (tCO <sub>2</sub> e/year)	Estimated ER performance (tCO <sub>2</sub> e)	Estimated 23% buffer (to account for general uncertainties and reversals) (tCO <sub>2</sub> e)	Estimated ER volume excluding buffer (23%) (tCO <sub>2</sub> e)
2019 <sup>b</sup>	895,710	659,324	151,644	507,679
2020	895,710	1,274,804	293,204	981,599
2021	895,710	1,890,283	434,765	1,455,518
2022	895,710	2,505,763	576,325	1,929,438
2023	895,710	3,121,242	717,885	2,403,356
2024	895,710	3,731,882	858,332	2,873,549
2025	895,710	4,342,521	998,779	3,343,741
2026	895,710	4,953,161	1,139,227	3,813,934
2027	895,710	5,563,800	1,279,674	4,284,126
2028	895,710	6,174,440	1,420,121	4,754,319
<b>Total</b>	<b>8,957,100</b>	<b>34,217,220</b>	<b>7,869,961</b>	<b>26,347,259</b>

Source: ERPD, REDD IC (2018).

Note: a. Forest reference emission levels (FRELs) refer to estimated GHG emissions from deforestation and forest degradation (gross emissions), whereas FRLs include both GHG emissions and activities that enhance forest carbon stocks (net emissions) (FAO, 2017). Nepal uses the FRL.

b. Estimated ER generated from second half of 2018 is also included in the ER performance of 2019.

<sup>18</sup> Nepal will allocate an extra volume of ERs (from and beyond the two MRVs), in accordance with its nationally determined contribution (NDC) or will sell ERs to a second buyer to catalyze further activities in Terai.

<sup>19</sup> Nepal proposes the start date of the ER accounting period to be the date of ERPD selected into the portfolio by Carbon Fund Participants, which is June 2018. The safeguard audit (expected by May 2020) will confirm that ER Program measures implemented since the ERPD selection date are in compliance with ESF and World Bank safeguard policies.

## 4.2 Scenario 1- 100% performance of ER target

The first scenario is the ideal case—the ER Program reaches 100% of its ER target (Table 12). In this case, ERs of around 4 MtCO<sub>2e</sub> would be achieved in the first MRV (through 12/2021) and around 5 MtCO<sub>2e</sub> in the second MRV (01/22–12/24). In the 100% performance scenario, by the second MRV Nepal would generate around 9 MtCO<sub>2e</sub> volume of ERs.

Table 12: Distribution of Benefits under the 100% ER Performance Scenario (in USD)

Year	Estimated ER volume, excluding buffer (23%) (tCO <sub>2e</sub> )	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	507,680	2,538,400	380,760	2,030,720	126,920
2020	981,599	4,907,995	736,199	3,926,396	245,400
2021	1,455,518	7,277,590	1,091,639	5,822,072	363,880
<b>Cumulative for first MRV period (06/18–12/21)</b>	<b>2,944,797</b>	<b>14,723,985</b>	<b>2,208,598</b>	<b>11,779,188</b>	<b>736,199</b>
2022	1,929,437	9,647,185	1,447,078	7,717,748	482,359
2023	2,403,357	12,016,785	1,802,518	9,613,428	600,839
2024	2,873,549	14,367,745	2,155,162	11,494,196	718,387
<b>Cumulative of second MRV period (01/22–12/24)</b>	<b>7,206,343</b>	<b>36,031,715</b>	<b>5,404,757</b>	<b>28,825,372</b>	<b>1,801,586</b>

Source: (Page 160, ERPD, REDD IC, 2018).

## 4.3 Scenario 2- 50% of the ER target

Table 13 presents the figures if the ER Program only were to achieve 50% of total ER target. This scenario could become reality if several of the envisaged interventions (as identified in the ERPD) were not fully implemented. In this case, around 1.5 MtCO<sub>2e</sub> and around 3.6 MtCO<sub>2e</sub> would be generated in the first and second MRV periods respectively.



Table 13: Distribution of Benefits under the 50% ER Performance Scenario (in USD) (in USD)

Year	50% ER volume (tCO <sub>2</sub> e)	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	253,840	1,269,200	190,380	1,015,360	63,460
2020	490,800	2,453,998	368,100	1,963,198	122,700
2021	727,759	3,638,795	545,819	2,911,036	181,940
<b>Cumulative for first MRV period (06/18–12/21)</b>	<b>1,472,399</b>	<b>7,361,993</b>	<b>1,104,299</b>	<b>5,889,594</b>	<b>368,100</b>
2022	964,719	4,823,593	723,539	3,858,874	241,180
2023	1,201,679	6,008,393	901,259	4,806,714	300,420
2024	1,436,775	7,183,873	1,077,581	5,747,098	359,194
<b>Cumulative of second MRV period (01/22–12/24)</b>	<b>3,603,172</b>	<b>18,015,858</b>	<b>2,702,379</b>	<b>14,412,686</b>	<b>900,793</b>

Source: ERPD, REDD IC (2018), page 160.

#### 4.4 Scenario 3- 10% of the ER target

Table 14 shows ER payment distribution if only a limited number of forest management activities are implemented.

Table 14: Distribution of Benefits under the 10% ER Performance Scenario (in USD)

Year	10% ER Volume (tCO <sub>2</sub> e)	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	50,768	253,840	38076	203,072	12692
2020	98,160	490,800	73620	392,640	24540
2021	145,552	727,759	109164	582,207	36388
<b>Cumulative for first MRV period (06/18–12/21)</b>	<b>294,480</b>	<b>1,472,399</b>	<b>220,860</b>	<b>1,177,919</b>	<b>73,620</b>
2022	192,944	964,719	144708	771,775	48236
2023	240,336	1,201,679	180252	961,343	60084
2024	287,355	1,436,775	215516	1,149,420	71839
<b>Cumulative of second MRV period (01/22–12/24)</b>	<b>720,634</b>	<b>3,603,172</b>	<b>540,476</b>	<b>2,882,537</b>	<b>180,159</b>

Source: (Page 160, ERPD, REDD IC, 2018).

#### **4.5 Scenario 4: Non-performance scenario**

This is the ER Program's worst-case scenario, which could arise if none of the envisaged forest activities were implemented. This could happen if not a single forest management activity is undertaken in the ER Program area during the first MRV period. Yet it could also happen if the current drivers of deforestation and forest degradation are not addressed. In this case, the present emissions would not be reduced.

## CHAPTER 5. MONITORING AND REPORTING FRAMEWORK

### 5.1 Monitoring and Reporting System

Table 15: Reporting level, institution, and Responsibilities

#### Reporting Level 1: Federal Level

Responsible institution	Reporting activities
FRTC (As national MRV implementing agency)	<ul style="list-style-type: none"> <li>• Prepare a complete and transparent report of MRV-related activities, with consistent and comparable emission data, and assess the performance against the ER Program's FRL. (The report will be submitted by the agency to the REDD IC, and later reviewed by REDD IC, and the FDF PDIC.)</li> </ul>
DoNPWC	<ul style="list-style-type: none"> <li>• Responsible for endorsement of management plans for the protected area units within ERPA jurisdiction</li> </ul>
FDF (PMU)	<ul style="list-style-type: none"> <li>• Compile and synthesize the separate databases forwarded by the different category beneficiaries through DFO (DPMU)</li> <li>• Prepare a synthesis reports and database for each category of benefits (performance based – monetary and non-monetary), basic allocation, operation costs, management costs, and send to competent agencies (Protected Area office for PA areas and DFO for forest areas outside the PAs as well as basic allocation to facilitate the distribution of ER payments.</li> <li>• Prepare audit report with the support of the commercial bank (operating the ER payment) and make available them for the Finance Controller Office and Office of the Auditor General.</li> </ul>
Commercial Bank "A"	<ul style="list-style-type: none"> <li>• Maintain and update the bank statement of ER payment.</li> <li>• Prepare periodic statement (financial report) and submit to REDD IC through which FDF PDIC and REDD IC can evaluate the status of payment.</li> </ul>

#### Reporting Level 2: Provincial / REDD-Desk

Responsible institution	Reporting activities
REDD-Desk	<ul style="list-style-type: none"> <li>• Consolidate the reports submitted by the DFO (DPMU) and prepare provincial level monitoring and evaluation report, for submission to REDD IC.</li> </ul>

#### Reporting Level 3: Local/ Community/ District

Responsible institution	Reporting activities

Community-based Forest user groups	<ul style="list-style-type: none"> <li>• Submit an Investment Plan to their DPMU as a precondition for receiving ER benefits. The Investment Plan should include an overview of implemented and planned forest management activities and of the intended use of benefits. The latter should reconcile the provision granted by section 22 of the 2019 Forest Act (see section 2)</li> <li>• Keep up-to-date records on their use of ER benefits. Records should include information on the beneficiary households and the amount each received, the types of forest activities, livelihood improvement activities, and skill-development activities undertaken, and the amount of money invested in each of these categories.</li> <li>• Carry out an audit of ER benefits and submit the audit report to their DFO (as DPMU). (The audit report will be forwarded to the REDD IC as a supporting document for the FDF's audit, which will be conducted by the Office of the Auditor General.)</li> <li>• Public audits and records of public hearings are additional tools forest user groups may use to legitimize their use of ER benefits.</li> </ul>
Private forest owners	<ul style="list-style-type: none"> <li>• Keep the records of forest management activities carried out in accordance with the Business Plan.</li> <li>• Make available these records to Municipalities and SDFO.</li> </ul>
Households not-belonging to a forest user group	<ul style="list-style-type: none"> <li>• Keep records of their forest dependency and forest product collection pattern after the support of benefits available from ER program.</li> <li>• Provide information (verbal) and their experiences as and when ask by DFO (as DPMU) and Municipality or Rural Municipalities for reporting purpose.</li> </ul>
DFO	<ul style="list-style-type: none"> <li>• To receive performance allocations (of the ER benefits), DFO should submit their Annual Plans reflecting forest management activities as precondition for receiving ER benefits.</li> </ul>
DPMU (DFO)	<ul style="list-style-type: none"> <li>• Collect the Investment Plans from forest user groups prior to ERPA payments (by December 2021 and December 2024). Consolidate the plans and enter the information from the Investment Plans into a database, and submit the relevant data to their local Municipality or Rural Municipalities (for its review and approval).</li> <li>• Maintain the files of receipts and documents related to distribution of benefits to private forest owners (5%), and households and communities outside the forest groups (basic allocation 5%) which the DPMU will then forward to REDD IC. (These documents will support the FDF audit, which will be eventually carried out by the Office of the Auditor General.)</li> <li>• Compiling a number of separate databases -</li> <li>• for each category of benefits (performance based – monetary and non-monetary), basic allocation;</li> <li>• a database of forest area managed, the ER-related activities, local forest and financing activities, and social initiatives laid out in the Investment Plans and annual plans; and</li> <li>• Database of unaddressed feedback and unresolved grievances.</li> </ul>

Miscellaneous bank account under DFO	<ul style="list-style-type: none"> <li>• Prepare the documents necessary for internal audit.</li> </ul>
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## 5.2 Monitoring of Performance and Results

The performance of the distribution of the ER Program benefits and the safeguards related to it will be monitored at the local, provincial and federal level to (i) enhance accountability and increase the sense of ownership of the ER Program’s beneficiaries (both government entities and forest communities); (ii) enhance transparency and inclusion in the distribution of the ER Program benefits, as well as financial discipline; and (iii) ensure and maintain a healthy balance between performance (effectiveness), efficiency, and equity in the distribution of benefits.

Nepal’s National REDD+ Strategy recognizes FRTC—formerly the Department of Forest Research and Survey (DFRS) as the national MRV agency and tasks it with carrying out MRV of the ER Program, in coordination with REDD IC. The community-based monitoring information system (CBMIS) will be integrated with the mainstream MRV process by mobilizing local resource persons and IPs in the ER Program area. Tentative milestones for MRV and CBMIS are presented in Table 16. The first and second MRV will be undertaken in April 2022 and December 2024 respectively. ER payments will be made in 2022 and 2025, based on the performance of ERs against the FRL<sup>20</sup> (0.89 MtCO<sub>2e</sub>/year). Quantified and verified ERs will be uploaded to a carbon registry system that will be tracked by the Carbon Accounting, Monitoring, and Reporting Coordination Section of the REDD IC. However, Nepal will use the centralized registry and data management system managed by the World Bank until a national carbon registry system is developed in Nepal.

Table 16: Schedule of MRV and ERPA Payments

Year	Action details
2018	ER Program start date (ERPD approved in June 2018)
2021	ERPA signing
2022	First MRV in June 2022 and reporting
2023	ERPA payment (the First Payment)
2024	Second MRV and CBMIS by December 2024 and reporting
2025	ERPA payment (the second or final payment)

<sup>20</sup> Forest reference emission levels (FRELs) refer to estimated GHG emissions from deforestation and forest degradation (gross emissions), whereas FRLs include both GHG emissions and activities that enhance forest carbon stocks (net emissions) (FAO, 2017). Nepal uses the FRL.

The BSP monitoring system differs from the overall MRV system for ER performance against the FRL. The former essentially focuses on assessing inputs/activities, safeguards, equity- and benefit sharing-related activities under the BSP. However, the BSP monitoring process has a clear functional link with MRV, CBMIS, and the ESMF, as shown in Figure 10 and Table 17.

**FIGURE 10: FUNCTIONAL LINKS BETWEEN MRV SYSTEM AND BSP MONITORING**

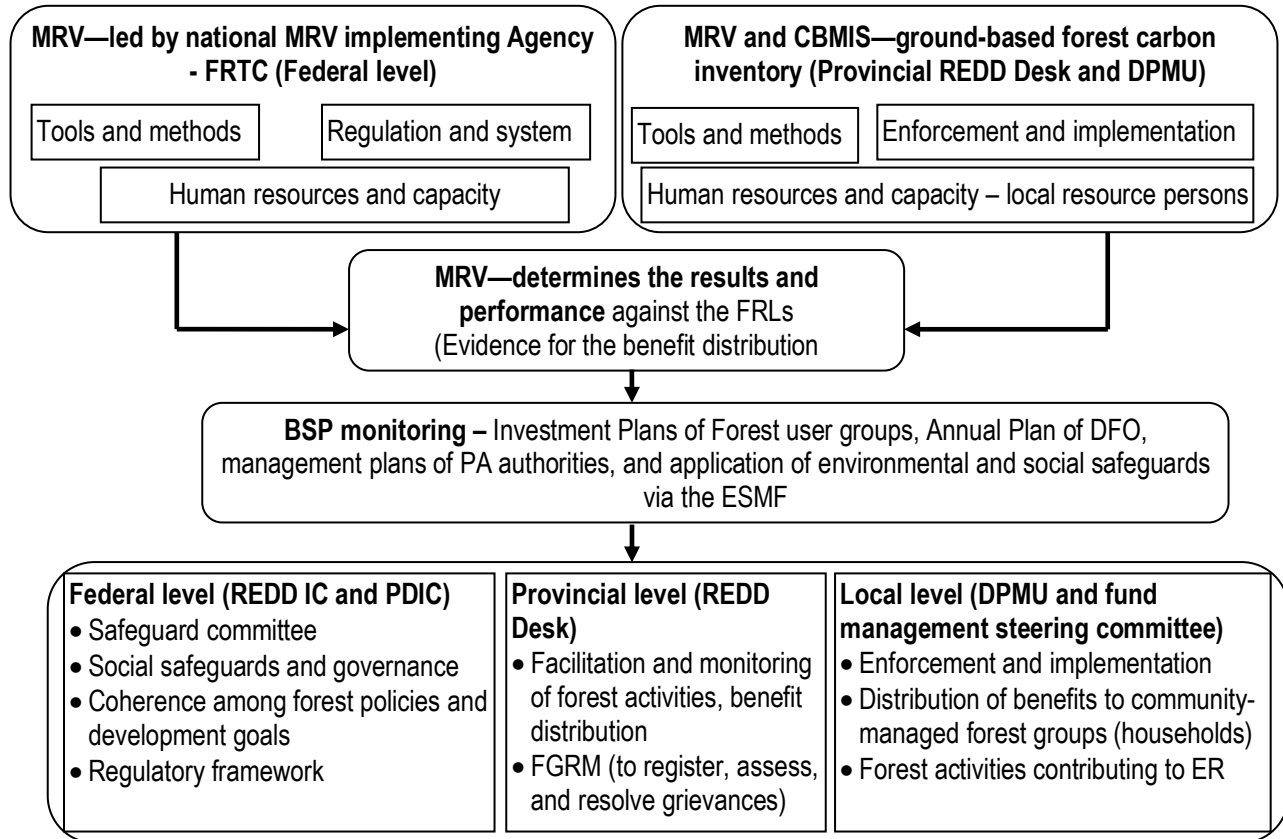


Table 17: MRV, Safeguard, and BSP Monitoring Activities at Different Government Levels

Monitoring activity 1: MRV

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Carbon ER performance	Monitoring of forest changes (activity data) and emission factor by FRTC (Forest Survey and Carbon Measurement Division) in coordination with REDD IC, provincial REDD Desk, DPMU and community-management forest groups	Coordination division/local and community level	Support MRV agency for field-based forest inventorying (sample plot measurement)	Periodic (First MRV in December 2021 and Second MRV in December 2024)

Monitoring activity 2: CBMIS

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Status of forests and natural resources	Incorporate as complementary approach to ER Program MRV process	Facilitate MRV and CBMIS	Support division/local and community forest groups in integrating traditional knowledge and cultural practices in the monitoring of the status of forests and overall MRV initiative	Regular but also specifically provide data for the first and second MRV.

Monitoring activity 3: BSP

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Environmental safeguards (biodiversity, natural forests, planted species)	Social and Environmental Safeguards Section within REDD IC will oversee the environmental safeguards—the status of natural habitats, floral and faunal biodiversity (in terms of distribution and species composition) by establishing and operating the ESMF	REDD-Desk coordinates with DFOs and monitors the implementation of ER Program safeguard measures	DFO (DPMU) and Municipality or Rural Municipalities will monitor activity level—plantation, natural habitats, forest management plans	Regular



Social safeguards	<p>Social and Environmental Safeguards Section within REDD IC will oversee overall social safeguards, including policy coherence with development goals, and the loss of traditional knowledge and practices.</p> <p>Deterioration of traditional livelihood opportunities due to restriction of access to forest resources.</p> <ul style="list-style-type: none"> <li>• Loss of forest-based occupations due to restrictions on forest resource removals by establishing and operating ESMF</li> </ul>	REDD-Desk guides their DFOs to ensure safeguards measures associated with distribution of benefit are addressed.	DFO (DPMU) and Municipality or Rural Municipalities monitor forest groups' activity on benefit sharing— participants in benefit sharing decision-making process, categories of beneficiary households, transparency, and employment opportunities	Regular
Transparency, inclusion and equity in benefit sharing process	Regular meeting, decisions and flow of information from FDF PDIC and REDD IC. Involvement of women, Dalit, IPs, Muslims and Madhesis in FDF PDIC and REDD IC,	Timely compilation of report and database submitted from DFO (DPMU), and forward to REDD IC	Participation (Women, IPs, Dalits, Muslims and Madhesis), (DFO as DPMU and Municipality or Rural Municipalities ), efficient and transparent disbursement of benefits to households within and outside forest groups	Regular

### 5.3 Monitoring of Inputs/Activities

ER-related activities will be monitored within the framework presented in Table 18. The framework contains key outcomes with smart and measurable indicators along with means of verification and entities responsible for implementing the activities underlying each outcome. The framework also indicates the entities responsible for monitoring and the monitoring timeframe.

Table 18: Monitoring Framework with Detail Outcomes and Indicators

Outcome 1: Activities contributing to ERs and the enhancement of carbon stocks

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Type of forest management activities</li> <li>• Area (ha) of forests with decentralized governance— community-managed forest groups</li> <li>• Share of group funds invested or earmarked for forest management activities</li> </ul>	<ul style="list-style-type: none"> <li>• List of activities of forest users groups specified in Investment Plan</li> <li>• Forest Operational Plan that has specific outcome-level indicators and activities for women, IPs, Dalits,</li> </ul>	Forest user groups	DFO (DPMU), Municipality, FDF PDIC and REDD IC	Three times a year (Municipality or Rural Municipalities meetings held once every four months)

<ul style="list-style-type: none"> <li>• Dedicated fund allocated for forest management activities led by/or for women, IPs, Dalits, Madhesis, and Muslims</li> <li>• Share of groups fund invested in or earmarked for off-site (forest) activities that reduce forest dependency</li> </ul>	<p>Madhesis, and Muslims.</p> <ul style="list-style-type: none"> <li>• Annual report of forest user groups Number of improved cook-stoves and biogas installed—disaggregated by gender, IPs, Dalits, Madhesis, and Muslims</li> </ul>			
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Outcome 2: Distribution of benefits to poor IPs, Dalits, Madhesis, and Muslims households

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• At least 50% of the funds remaining after investing 25% in forest activities will be allocated to women’s empowerment, leadership activities and income-generative activities targeting poor IPs, Dalits, Madhesis, Muslims households, and the female members of these groups (in accordance with the recently approved 2019 Forest Act)</li> <li>• Share of ER benefits invested in these activities</li> <li>• Type of income- generating activities</li> </ul>	<ul style="list-style-type: none"> <li>• List of beneficiaries (IPs, Dalits, Madhesis, Muslims, and women) of ER payment must be included in Investment Plan</li> <li>• Financial audit report</li> <li>• Official record/ledger</li> <li>• Meeting minutes</li> <li>•</li> </ul>	Forest user groups	Municipality or Rural Municipalities (for each local jurisdiction) and FDF PDIC and REDD IC for the overall ER Program area	Three times a year (Municipality or Rural Municipalities meetings held once every four months)

Outcome 3: Forest activities of government-managed forests (DFO and provincial Forest Directorate activities)

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency

<ul style="list-style-type: none"> <li>• Number of sustainable management plans (SMPs) developed in line to ERPD ER activities</li> <li>• Area (ha) of forests managed under sustainable principles</li> </ul>	<ul style="list-style-type: none"> <li>• DFO's Annual Plan and periodic strategic plan</li> <li>• Annual report</li> <li>•</li> </ul>	Division (subdivision) Forest Office, provincial Forest Directorate for decentralizing management of collaborative forests	Municipality or Rural Municipalities (only for each local jurisdiction) and FDF PDIC and REDD IC for the overall ER Program area	Three times a year (Municipality or Rural Municipalities meetings held once every four months)
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Outcome 4: Promotion of private forests in the ER Program districts, thereby supporting ERs

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Forested area (ha) registered as private forests</li> <li>• List of private forest owners that benefit from the ER Program</li> <li>• List of goods and services received by the private forest owners</li> <li>• Area of private forests promoted</li> </ul>	<ul style="list-style-type: none"> <li>• DPMU record</li> <li>• DFO record</li> </ul>	DFO (DPMU)	Municipalities	Regular

Outcome 5: Forest-dependent households/communities receive basic allocations and reduce their dependency on forests

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• List of households and communities that received basic allocations as ER benefits</li> <li>• Types of goods and services (non-monetary benefits) provided to the beneficiaries</li> <li>• Change in degree of forest-dependency of these households and communities</li> </ul>	<ul style="list-style-type: none"> <li>• DFO (DPMU) record</li> <li>•</li> </ul>	• DFO DPMU	Municipalities	Regular

## Outcome 6: FGRM

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>Number of feedback reports and grievances received, assessed, and resolved</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes of provincial REDD Desk</li> </ul>	DFO (DPMU), REDD Desk	At four levels: <ul style="list-style-type: none"> <li>(i) forest groups, ward-level mediation committee</li> <li>(ii) local government and DFO;</li> <li>(iii) provincial REDD-Desk; and</li> <li>(iv) Social and Environment Safeguards Section in REDD IC.</li> </ul>	Twice a year

### 5.4 Monitoring of Safeguards and Guidance to Ensure Implementation of Safeguards

Benefit distribution–related safeguards will comply with the safeguard policy of the World Bank and the ESMF and gender action plan stated within ESMF of the proposed ER Program. The implementation of these safeguards will be monitored throughout the ER Program’s duration (Table 19). Nepal finalized the ESMF for its ER Program in 2019, including the necessary mitigation options for the risks identified through the strategic environmental and social assessment (SESA) conducted in 2014. Nepal has also developed REDD+ Social and Environmental Standards (SESS), with support from the World Bank’s FCPF.

Nepal will develop a national safeguards information system (SIS), in line with the United Nations Framework Convention on Climate Change’s (UNFCCC) safeguard principles (known as the Cancún REDD+ Safeguard Principles), to explain how the Cancún safeguard principles will be addressed and respected in the REDD+ implementation. The safeguards related to benefit distribution of the ER Program will comply with the national SIS.

Beneficiaries are responsible for maintaining the safeguards in their plans and activities while carrying out forest management activities and distributing the benefits among their constituencies. Local and federal steering committees (as well as the REDD-Desk at the provincial level) are responsible for ensuring the implementation of social and environmental safeguards. The safeguards will be monitored annually by Social and Environment Safeguard Section of REDD IC.

A project operation manual (POM) will be developed to guide the government authorities and local communities through specific implementation procedures under the ER.

Table 19: Outcome-wise Monitoring Framework for Social and Environmental Safeguards

Outcome 1: Social safeguards: Procedural equity is maintained

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
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<ul style="list-style-type: none"> <li>• Number of IPs, Dalits, Madhesis, Muslims, and women on fund management steering committees (at federal and local level)</li> <li>• Regular conduction of steering committee meetings and the attendance of committee members at the meeting</li> <li>• Respect for voice and concerns of IPs, Dalits, Madhesis, Muslims, and women in decision-making process</li> <li>• Compliance with the ESMF of ER Program</li> <li>• Ensure Free Prior and Informed Consent (FPIC) is followed (i.e., local communities are timely informed and activities in the ER program area are implemented with consent.)</li> </ul>	<ul style="list-style-type: none"> <li>• Fund management steering committees meeting minutes</li> <li>• ER Monitoring Report</li> <li>• Field observations and testimonial of local people</li> </ul>	REDD IC will coordinate through its Social and Environmental Safeguard Section	Social and Environmental Safeguard Section of REDD IC and external monitoring by third-party monitoring consultant commissioned by Program entity	Annual internal monitoring and periodic third-party monitoring after first and last payments
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Outcome 2: Customary practices of forest management are respected and promoted

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Customary practices adopted in the ER Program area are identified/inventoried</li> <li>• Proportion of funds is allocated to the communities managing forests using their traditional and customary practices</li> </ul>	<ul style="list-style-type: none"> <li>• List of customary forest management practices in the ER Program</li> <li>• Area of forests managed using customary practices</li> <li>• List of customary practices is incorporated in Investment Plan of forest user groups and Annual Plan of DFOs</li> </ul>	REDD IC, DFO (DPMU) and customary institutions	REDD IC	Annually

Outcome 3: Consistency of BSP with current national and local legislative benefit sharing provisions

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency

<ul style="list-style-type: none"> <li>• The BSP has a strong legal basis (i.e. FDF is established as indicated by the Forest Act and its Regulation)</li> <li>• Existing benefit sharing and distribution practices are promoted and built on the BSP.</li> <li>• No conflict between BSP procedures and existing intra-group benefit sharing practices</li> </ul>	<ul style="list-style-type: none"> <li>• Reflections of local forest user group members disaggregated from a GESI perspective</li> <li>•</li> </ul>	REDD IC	REDD IC	Annually
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#### Outcome 4: Livelihood opportunities are enhanced

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Share of ER payment distributed to poor IPs, Dalits, Madhesis, and Muslims and women</li> <li>• Forest-dependent households reduced</li> <li>• Share of payments invested in income-generating activities targeting low-income households</li> </ul>	<ul style="list-style-type: none"> <li>• List of beneficiaries (IPs, Dalit, Madhesis, Muslims and women) of ER payment in Investment Plan</li> <li>• Financial audit report</li> <li>• GESI audit report</li> <li>• Official record/ledger</li> <li>• Meeting minutes</li> </ul>	Forest user groups	Municipality or Rural Municipalities , FDF PDIC and REDD IC	Three times a year (steering committee meeting is held once every four months)

#### Outcome 5: Traditional forest-based skills are respected and promoted

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Local IPs' knowledge is used to monitor the other resources and thus strengthen MRV process</li> <li>• Share of benefits distributed to traditional occupational caste groups—e.g., Chepang ( Chiuri plantation and shifting cultivation; blacksmith); Lohar (coal); Raute (wood-carving); Bote-Majhi, and Musahar (fishing)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Plan</li> <li>• Financial audit report</li> <li>•</li> </ul>	Forest user groups, DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC	Annually

Outcome 6: Promotion of biogas and improved cook-stoves to buffer the loss of fuel wood collection opportunities

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Share of funds invested to install biogas and improved cook-stoves for fuel wood–dependent households, with priority given to the poor and socially marginalized households</li> <li>• Skill of women on bioenergy production and their link with market is enhanced</li> <li>• Women trainers for renewal energy technical service providers developed</li> <li>• Access of women-led households to incentives of biogas and ICS is ensured.</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Plan</li> </ul>	Forest user groups and their households, DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC, Provincial REDD Desk	Annually

**Outcome 7: Environmental safeguards: Biodiversity conservation is ensured**

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Plantation of native and multi-tree species</li> <li>• Biodiversity conservation activities are included in sustainable forest management plan</li> <li>• Natural wildlife habitats are conserved</li> <li>• Construction of physical structures are climate and environmentally sensitive and smart (low- impact)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable management of forest plan</li> <li>• Observation of forests (private forests and government-managed and forest-group managed forests</li> <li>• Investment Plan and DFO Annual Plan</li> </ul>	Forest user groups, DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and Provincial REDD Desk	Annually

Outcome 8: Culturally valuable species are conserved

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency

<ul style="list-style-type: none"> <li>• Culturally significant tree and plant species are identified and listed</li> <li>• Production of seedlings in nursery and plantation is encouraged</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable management of forest plan of forest user groups</li> <li>• Forest operation plan of forest user groups</li> </ul>	Forest user groups, IPs network (NEFIN) DFO, REDD IC	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and provincial REDD Desk	Regularly
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Outcome 9: Sustainable management of forest is ensured

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
<ul style="list-style-type: none"> <li>• Multi-layers forest management practices are adopted</li> <li>• Forest ecosystem services (including water) are conserved</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable management of forest plan of forest user groups</li> <li>• Forest operation plan of forest user groups</li> <li>•</li> </ul>	Forest user groups, IPs network (NEFIN) DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and Provincial REDD Desk	Regularly

Source: ESMF for ER Program area (REDD IC, 2019), ERPD for ER Program (REDD IC, 2018, p.161).

**5.5 BSP-Related Feedback and Grievance Redress Mechanism**

The 2015 Constitution of Nepal, the 2008 Good Governance (Management and Operation) Act, the 2007 Rights to Information Act, the 2017 Local Governments Operation Act, the 2019 Environment Protection Act, the 2019 Forest Act, and other legislative instruments ensure the citizens’ right to file a grievance and have access to an appropriate redress procedure or remedy. Based on article 27 of the Constitution of Nepal, every citizen shall have the right to demand and receive information on any matter of his or her interest or of public interest.

Given the Constitutional provisions, both local governments and the DFOs have to establish a feedback and grievance redress mechanism (FGRM). As per section 46 of the 2017 Local Government Operation Act, each local government has to establish a three-member judicial committee coordinated by its Vice-Chairperson/Deputy Mayor in order to settle disputes or complaints in their respective jurisdictions. Section 47 of this Act stipulates that the judicial committee is responsible for settling local disputes or complaints through the judicial process or mediation, in close coordination with the respective ward (the lowest unit of local government) mediation committees. Under this provision, ER Program beneficiaries can file their grievances with the local level judicial committee or ward level mediation committees for appropriate remedies, whenever they feel affected or victimized by any ER Program-related activity. Upon receiving a complaint, a judicial committee shall assess and explore the appropriate remedies to address the complaints as per the provisions of the judicial committee’s Procedural Directives. Moreover, if the affected people or



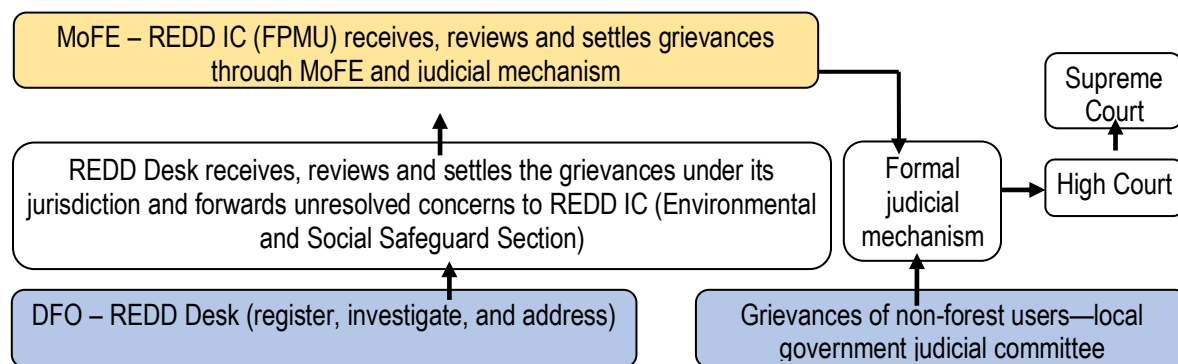
<sup>21</sup>communities are not satisfied with the decisions of the local judicial committee, they can forward their complaints to the formal judicial mechanism for satisfactory remediation.

Similarly, the (subdivision) DFOs are responsible for developing a citizen's charter, as mandated by section 25 of the 2008 Good Governance (Management and Operation) Act. Section 31 of this act authorizes each government agency, including DFO, to establish a grievances mechanism in their office. Each DFO of the ER Program area is required to maintain the citizen's charter is maintained and establish a grievances mechanism to ensure grievances are properly addressed. Considering the legal provision included in section 31 of the 2008 Good Governance (Management and Operation) Act, at every Division and Subdivision Forest Office, a complaints box should be available in a visible place to collect feedback from the public, including ER Program beneficiaries. The subcommittee that was created to deal with forests and the environment, based of section 14 of the 2017 Local Government Operation Act also has the authority to mediate in the resolution of grievances raised by local communities.

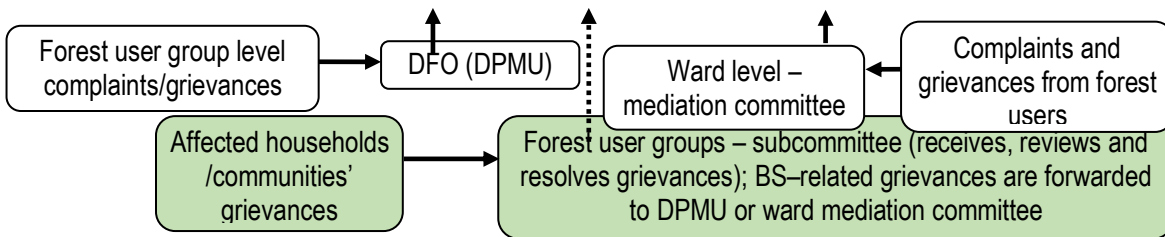
Community-level grievance redress mechanisms already exist in some CFUGs and other forest groups, as mandated by their approved by-laws and forest management/operational plan. For example, as per the 2015 Community Forestry Development Program Guidelines (revised), CFUGs can establish a subcommittee to receive and handle the feedback and grievances of their members. This subcommittee is also responsible for handling any conflicts in their community that are associated with the ER Program.

Given the legal provisions and practices, benefit sharing–related grievances will generally be resolved at multiple levels through two pathways—the forest authority and local government (Figure 11). In the first instance, grievances filed by households will be handled by the respective forest user groups through their sub-committee. Unsettled grievances can be forwarded either to DFO through DPMU or to the ward level mediation committee or local judicial committee. (2). Forest group grievances can be registered with the DPMU hosted in DFO, with the ward level mediation committee, or local judicial committee (formed in coordination with the deputy mayor or vice-chairperson of the local government considering the nature of the issue or grievance). Based on where a grievance is registered, it will be resolved by DFO or the ward level mediation committee or local judicial committee.

Figure 11. Proposed FGRM under the ER Program



<sup>21</sup> Please see Section 10.6.1 in the ESMF of the ERPD that provides information on the FGRM.



(3) Grievances that the ward level mediation committee are unable to resolve will be forwarded to the local government judicial committee, while unresolved grievances at the DFO will be forwarded to the provincial REDD Desk. Similarly, unresolved grievances at the local level judicial committee will be referred to the courts—the formal judicial route. (4). The MoFE is the last recourse available for any unresolved grievances referred by the REDD-Desk. To this end, REDD IC (FPMU) will collect unresolved grievances from the provincial REDD Desk and facilitate their resolution through the MoFE. Unsettled grievances at the MoFE will eventually go to the formal judicial mechanism (courts).

## 5.6 Capacity Building

The ESMF contains a detailed training and capacity-building framework for effective implementation of the ERP and the ESMF (i.e., for IPs and community-managed forest groups). In addition, as outlined above, the BSP further identifies skill-development training and capacity development activities (i.e., for DPMUs and the FPMU), with a portion of the funds allocated to cover institutional/operational costs earmarked for capacity building (Table 7).

Regarding the capacity of the FDF, as outlined in section 3, the Forest Regulation has been approved in May 2022 and Guidelines for the operation of the FDF is under preparation. Once the operating procedures are released, the FDF and associated delivery arrangements will undergo financial management and procurement assessments by the World Bank. This will occur as part of project due diligence and is required prior to the first ER transfer.<sup>22</sup> The assessments will also identify gaps and needs to strengthen capacity, as appropriate.

<sup>22</sup> The FDF structure and operations guidelines need to be assessed “satisfactory” by the World Bank before ER payments from the FCPF CF can be disbursed through the FDF to the beneficiaries.

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## **Part II: ANNEXES**

## ANNEX 1:

### KEY MILESTONES OF THE ER PROGRAM IN THE 13 TAL DISTRICTS

Table 1: Key milestone of the ER Program in the 13 TAL districts

Milestone number	Milestone	Remarks
1	The World Bank and the Government of Nepal signed a Letter of Intent (LoI), in June 2015, formalizing the Bank's supporting role and specifying the national volume of ERs the Carbon Fund intends to pay for upon verification of results	
2	After Nepal presented its Emission Reductions Program Idea Note (ER-PIN) to the FCPF, the Government of Nepal and the World Bank signed LoI in June 2015	
3	Nepal issued its draft Emission Reductions Program Document (ERPD) for the Terai Arc Landscape (TAL) in 2017. The ERPD was accepted into the Carbon Fund Portfolio during the Carbon Fund meeting held from June 20–22, 2018 in Paris, France	
4	This BSP was prepared to meet one of the prerequisites for Nepal to be able to enter into an Emission Reductions Payment Agreement (ERPA) with the FCPF	

## ANNEX 2:

### NON-CARBON BENEFITS TO BE DERIVED IN THE ER PROGRAM AREA

The ER Program will generate broader sustainable development benefits, among others, the ones listed in the table below.

**Table 2: Non-Carbon benefits from ER programs**

Key type of benefit	Description
Livelihood value	<ul style="list-style-type: none"><li>• Sustainable livelihood opportunities for local communities</li><li>• Establishment of seedling nurseries will generate local employment opportunities</li></ul>
Social value	<ul style="list-style-type: none"><li>• Improved health conditions, especially of women, due to expanded use of biogas and improvement of cookstoves</li><li>• Empowerment of IPs, Dalits, Madhesis, Muslims and women</li><li>• Increased level of participation and access to benefits under improved and sustainably managed forests</li></ul>
Biodiversity value	<ul style="list-style-type: none"><li>• Maintained and enhanced biodiversity inside and outside the protected areas.</li></ul>
Ecosystem value	<ul style="list-style-type: none"><li>• Sustainable forest management will enhance the non-carbon ecosystem services—improving watersheds and promoting the sustainable use of forest products</li></ul>
Governance, policy and institutional values	<ul style="list-style-type: none"><li>• Improved forest governance,</li><li>• Gradual resolution of land tenure issue</li></ul>

## ANNEX 3:

### RELEVANT LEGAL PROVISIONS FOR THE ER PROGRAM'S BENEFIT SHARING PLAN

**Table 3: Provisions on Constitution of Nepal**

Article	Statements
Art. 51 (g)	<p><b>Policies relating to protection, promotion, and use of natural resources:</b>                      (1) to protect, promote, and make environmentally friendly and sustainable use of, natural resources available in the country, in consonance with national interest and adopting the concept of intergenerational equity, and make equitable distribution of benefits, providing priority and preferential right to the local communities.</p>
Article 57	<p><b>Distribution of State power:</b> (1) The powers of the Federation shall be vested in the matters enumerated in Schedule-5, and such powers shall be exercised pursuant to this Constitution and the Federal law.  <b>Schedule-5: Federal Power</b> - national forest policies, carbon services                      (2) The powers of a Province shall be vested in the matters enumerated in Schedule-6, and such powers shall be exercised pursuant to this Constitution and the Province law.  <b>Schedule-6: State Power</b> – National forest within the forest                      (5) The concurrent powers of the Federation, Province, and Local levels shall be vested in the matters enumerated in Schedule-9, and such powers shall be exercised pursuant to this Constitution, the Federal law, the State law and the law made by the Village Assembly or Municipal Assembly.  <b>Schedule-9.</b> Concurrent Powers of Federation, Province and Local Level- Forests, Jungle, wildlife, birds, water uses, environment, ecology and biodiversity</p>
Article 59	<p><b>Exercise of financial powers:</b> (4) The Federation, State, and Local level shall arrange for the equitable distribution of benefits derived from the use of natural resources or development. Certain portions of such benefits shall be distributed, pursuant to law, in forms of royalty, services or goods to the project affected areas and local communities.</p>
Article 251	<p><b>Functions, duties and powers of National Natural Resources and Fiscal Commission:</b> (1) The functions, duties and powers of the National Natural Resources and Fiscal Commission shall be as follows:                      (c) to conduct study and research work and prepare parameters as to conditional grants to be provided to the State and Local Governments in accordance with national policies and programs, norms/standards and situation of infrastructures</p>

**Table 4: Provision in National Natural Resource and Fiscal Commission Act, 2017**

Number	Provisions
Article 14	<p>Criteria to be considered in the mobilization of natural resources: (2) The Commission shall advise the Government of Nepal on the amount of returns based on the following criteria, pursuant to Sub-Section (1):                      (a) The location of the mobilized resources,                      (b) The affected area by the mobilization of natural resources,                      (c) Dependency upon the mobilized natural resources,                      (d) Benefited population by the returns,                      (e) Dependent population on the natural resources,                      (f) Conservation of natural resources and the participation in sustainable management.</p>

**Table 5: Provisions in Forest Act, 2019**

Number	Provisions
Section 44	<b>Management of Environmental service:</b> The Government of Nepal will determine the benefits distribution mechanism for the sharing of benefits generated from carbon sequestration.
Section 45	<p><b>FDF:</b> The government of Nepal shall establish a FDF for the implementation of the objectives of Forest Act and protection of forest, silviculture operation, and to implement other activities for forest enhancement.</p> <p>(1) The source of the FDF will be as follows:</p> <ul style="list-style-type: none"> <li>(a) Resource available from Government of Nepal, Provincial government and local governments</li> <li>(b) Resources available from any individuals or institutions</li> <li>(c) Grants or concessional loan received from foreign government, international organization and individuals</li> <li>(d) Royalty generated from the sales of forest products and money received from the forestland conversion for other purpose.</li> </ul> <p>(2) Before receiving any grant or concessional loan from foreign government and international organization, the pre-approval from the Ministry of Finance shall be required.</p> <p>(3) The financial resource of the FDF will be deposited in any 'A' class commercial bank.</p> <p>(4) The audit of the FDF shall be conducted from the Office of Auditor General.</p> <p>(5) Other provisions for the operation of the FDF are prescribed in the Forest Regulation 2022</p>
Article 25	<b>Implement mitigation actions:</b> (3) The federal, provincial, and local governments could implement the mitigation actions as required.

**Table 6: Environmental Protection Act, 2019**

Number	Provisions
Article 28	<p><b>Participation in the carbon trade:</b> (1) The Government of Nepal could participate in the carbon trade with any mechanism established based on the international treaty, foreign government or institutions; commercial entities or private sector for the carbon emission reduction and sequestration.</p> <p>(2) Other matters relating to participate in the carbon trade will be as prescribed.</p>
Article 31	<p><b>Provision of Environment Protection Fund:</b> (1) An environmental protection fund will be established for the protection of the environment, pollution control, climate change management and protection of national heritages.</p> <p>(2) The source of funds will be as follows:</p> <ul style="list-style-type: none"> <li>(a) Financial resources available from the federal, provincial and local government</li> <li>(b) Financial resources available from national institutions and individuals,</li> <li>(c) Financial resources available from foreign governments and international organizations.</li> </ul> <p>(3) Before receiving any grants from foreign government and international organization, the pre-approval from the Ministry of Finance shall be required.</p> <p>(4) The audit of the fund shall be conducted from the Office of Auditor General.</p> <p>(5) Other provisions for the operation of the fund will be as prescribed.</p>



**Table 7: Provision in Inter-governmental Fiscal Arrangement Act, 2017**

Number	Provisions
Article 7	<p><b>Distribution of Royalty to be obtained from Natural Resources:</b> (1) In order to distribute the royalty obtained from the natural resources among the Government of Nepal, State and Local Level, the Government of Nepal shall create the federal Divisible Fund to deposit such amount obtained from the royalty in accordance with Federal law.</p> <p>(2) The Government of Nepal shall distribute the royalty pursuant to Sub-Section (1) as specified in Schedule-4.</p> <p>(3) Out of the amount distributed to pursuant to Sub-Section (2), the amount obtained by the Government of Nepal shall be deposited in the Federal Consolidated Fund, the amount obtained by the State in State Consolidated Fund and the amount obtained by Local Level in the Local Consolidated Fund.</p>
Article 9	<p><b>Conditional Grants:</b> (1) The Government of Nepal shall provide conditional grants to the State and Local Level to implement any project of the State or Local Level or the Government of Nepal on the basis as prescribed by the Commission pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution.</p> <p>(2) The Government of Nepal may, while providing conditional grants under Sub-Section (1), specify necessary terms and conditions in relation to the implementation of the project and the concerned State and Local Level shall abide by such terms and conditions.</p> <p>(3) The State may provide conditional grants to Local level according to the basis prescribed by the Commission in accordance with the State laws.</p>

**Table 8: Provision in Local Government Operation Act, 2017**

Number	Provisions
Article 11	<p><b>Rights, roles and responsibilities of local government:</b> (2) J(16) and (4)(e) implement low-carbon economic development activities at the local level</p> <p>(4)(e) Formulation of policies, laws, plans and programs at local level for the management and regulation of all types of forests considering the delegated authorities provided by federal and provincial forest laws.</p>
Article 24	<p><b>Formulation and implementation of plan:</b> (2) The local government should consider the governance, environmental protection, climate change adaptation, disaster management, and GESI perspectives during the formulation of plans and programs at the local level.</p>
Article 14	<p><b>Formation of a committee, subcommittee or working group / task force:</b> (1) The local government executive can form a committee, subcommittee or working group / task force under the coordination of any member of the executive in order to smooth the operation activities undertaken by the local government.</p> <p>(2) The scope of work, procedures, and other matters pertinent to the committee, subcommittee or working group/task force will be defined during the formation of such structure.</p>

## ANNEX 4:

### FIELD LEVEL STAKEHOLDER CONSULTATION PLANS

Consultation on the Benefit Sharing Arrangement (following the “2012 Guidelines on Stakeholder Engagement in REDD+ Readiness by UN-REDD”)

1. Brief introduction to the ER Program
2. Existing Practices of Sharing Forest Benefit in Nepal
3. Need for Gender and Social Inclusion in Carbon Benefit Sharing – National and Global Perspective/Experiences

#### 4. Group Work

**Task 1.** Identification of key drivers of deforestation and forest degradation and explore responsible actors/agents (concerned and diverse formal and informal institutions, individuals, women and men representing different social groups) to these drivers.

**Task 2.** Identification of key approaches/strategies and activities to address the drivers of Deforestation and Forest Degradation (basically need-based drivers and greed-based drivers) within the context of benefit sharing practices (or how ER benefits can address the drivers of deforestation and forest degradation)

**Task 3. Categorization of beneficiaries:** Discuss the following criteria for classification of actual financial beneficiaries for benefit sharing in the ER Program.

#### I. Forest management ownership and responsibilities de jure (government and formal forest groups) and de fact (customary practice communities)

De jure/legal responsibilities of forest management (groups and government )	De facto (customary forest management groups and communities)

#### II. Pragmatic and social justice: Action link and non-action link

List communities, groups, and households that contribute to forest management and a reduction in deforestation and forest degradation

Forest user groups	High contributors of forest management	Provide contribution in future

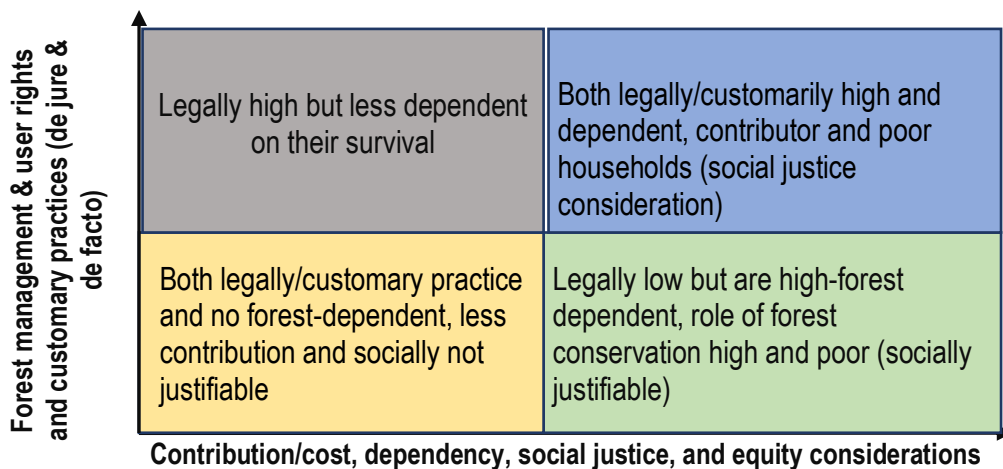
Identify communities, groups and households within forest groups that are highly forest-dependent for their survival and at risk of losing their customary practices because of the implementation of the ER Program.

Forest user groups	Households, groups or communities that are more forest dependent than others	Households, groups and communities at risk of losing their customary practices because of the ER Program

Identify the households, groups, and communities outside forest groups that still depend on forests (covered by the ER Program—government-managed or community-managed) for their survival

- List the identified beneficiaries
- Place the beneficiaries in the appropriate quadrant of the beneficiary categorization matrix below.

The matrix provides the participants with opportunity to sort out the listed communities based-on two variables (*Legal and Pragmatic Variables*). The y-axis denotes current legal and customary provisions and responsibilities in forest management, while the x-axis represents the level of contribution, dependency, and social justice (those socially and economically poor and marginalized communities/households). List of communities, groups or households fall in Top right quadrant represent both legally and pragmatically higher and thus are recognized prioritized end beneficiaries, while beneficiaries of bottom left quadrant represent both legally and pragmatically low. This matrix provides a framework to reach consensus on categorizing end/primary and secondary beneficiaries for ER Program as shown in figure below.



#### Task 4. Identification of Non-monetary benefits

- Discuss the possible non-monetary benefits that will be generated from the ER Program

- Identify the communities and group of people relevant to each of the identified non-monetary benefit considering their need of and contributions to their individual and households thereby producing resultant effects towards reducing emissions and enhancing carbon stock.

## **Task 5. Group presentation**

### **Sharing and interaction for suggestions and concern**

- Sharing of draft funds-flow institutional set up with the participants and discuss the following points for their suggestions, concerns and acceptance
  - Option of funds flow (Option 1. FDF' or 2. Conditional Grants or 3. Federal Dividend Fund under the Intergovernmental Fiscal Arrangement Act, 2074 BS.
  - Layer of institutional set up for benefit distribution
  - Representation on funds-flow institutional set up both federal and local level
  - Representation in signatory body
- Sharing of tentative mode of payment and proportion in different costs heading and discuss on the following points for their suggestions, concerns and acceptance
  - Proportion of benefit distribution between government and forest groups
  - Benefit Distribution among households within forest groups (how to maintain equity among poor IPs, Dalits, Madhesis, Muslims and women)
  - Effectiveness of Basic Allocation to forest-dependent households outside forest groups
- **Effectiveness of Investment Plan**
- How do forest groups and individual households ensure persistent performance both in reducing deforestation and forest degradation and enhancing carbon stocks in their forests?) (roles)
- How to monitor women and men of individual households, social groups and forest groups contribution to the Emission Reduction (through reducing deforestation and forest degradation) and enhancement of the carbon stocks.

**In-depth interaction** was organized individually with some of the key selected stakeholders such as women and men of IPs, Dalits, Madhesis, Muslims, and government representative. The points for the interaction will be contextual or discussion will start with the some of the contesting points/issues generated in plenary discussion. The aim of the in-depth interaction is to manage expectation, get deep insights of issues and concerns about the benefit sharing, and clarify the roles in ER Program.

## ANNEX 5:

### PARTICIPANTS OF LOCAL AND PROVINCIAL LEVEL STAKEHOLDER CONSULTATION

**Table 9: Province and Local Level Stakeholder Consultation**

Consultation venue	Districts covered	Date	Participants details						
			Total	Gender		Caste details			
				Men	Women	Brahmin & Chhetri	IPs	Dalits	Madhesi/Muslims
Simara, Bara	Rautahat, Bara & Parsa	June 12, 2019	33	24	9	12	15	2	4
Bharatpur, Chitwan	Chitwan & Nawalpur	June 13, 2019	33	22	11	22	11	0	0
Butwal, Rupandehi	Parasi & Rupandehi	June 14, 2019	21	12	9	9	10	1	1
Lamahi, Dang	Kapilvastu & Dang	June 16, 2019	32	25	7	18	8	2	4
Nepalgunj, Banke	Bardia & Banke	June 17, 2019	32	23	9	16	8	5	3
Dhangadhi, Kailali	Kanchanpur & Kailali	June 18, 2019	29	19	10	17	9	2	1
<b>Total</b>			<b>180</b>	<b>125</b>	<b>55</b>	<b>94</b>	<b>61</b>	<b>12</b>	<b>13</b>

## ANNEX 6:

### SUMMARY OF STAKEHOLDER CONSULTATIONS ON CATEGORIZATION OF BENEFICIARIES BY PROVINCES

**Table 10: Consultation in Rautahat, Bara, Parsa districts, Madhesh Province**

Content of discussion on identification beneficiaries		Outcomes/suggestions		
		Rautahat	Bara	Parsa
Forest management (state, communal, private and traditional)	Government	Govt-MFs, National Park	Govt-MFs,	Govt-MFs, National Park
	Communal	CFs, CoFs, RFs,	CFs, CoFs, RFs,	CFs, CoFs, RFs,
	Traditional and customary practices	Occupational groups (coal, fishing, leaf-plate making)	Religious forests, Tamang and IPs	
	Private	Private forests	Private forests	
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Women of IPs, Income poor, Dalit and marginalized households,	Forest groups members	Poor dalits, Musahar, Chamar, Hajara, Chepang, Mjar, IPs – poor Tharu, newar, Tamang, Magar, Rai and Limbu
	Potentially high contributors in future	Government offices, stakeholders local government	DFO, cooperatives, communities involved in plantation on public land, Local government, organizations involved in medicinal	Single women, Dalit women, IP women, Tharu, Newar women, people residing near forests, forest user groups, FECOFUN, religious forest users
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Poor households, women, IPs and Dalit women (Tharu, Magar, Tamang, Majhi, Yadav, Lohar, Musahar, Chamar, Blacksmith, Dom, Muslims, Dushadh	Firewood collectors, Leaf, Mushroom, Niuro, Vegetable collectors, people rely on Giti, and Dhunga,	Poor dalits, Musahar, Chamar, Hajara, Chepang, Mjar, IPs – poor Tharu, newar, Tamang, Magar, Rai and Limbu
	Potential loss of occupational and customary practices		Tenants, temporary residents	Mijar, Tharu, Mushahar, Majhi,
Forest-dependent communities outside forest groups for survival		Madhesi Dalits, income poor, Muslims southern part, poor IPs, Immigrants	Madhesi Dalits, income poor	Mijar, Tharu, Mushahar, Majhi, Tamang, Magar women, Bhujel, single women, Newar, Bishowkarma

**Table 11: Consultation in Chitwan, Bagmati Province and Nawalpur, Gandaki Province**

Content of discussion on identification beneficiaries		Outcomes/suggestions	
		Chitwan, Bagmati Province	Nawalpur, Gandaki Province
Forest management (state, communal, private and traditional)	Government	Govt-MFs, National Park, Protected forest committee	Govt-MFs,
	Communal	CFs, CoFs, RFs, LHF	CFs, CoFs, RFs, LHF,
	Traditional and customary practices	Chepang community conserving Chiuri Trees, coal-making by blacksmiths, leaf-plate, Bote-Majhi Mushahar, Tharu, Magar, Kumal, Danuwar, Darai, Limbu, Tamang, and CFUG members	
	Private	Private forests	Private forests
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Mulbasi and forest users	Tharu communities – Niuro, Thakal, Babiyo collectors (Bote-Majhi and Mushar) Poor IPs (Magar, Tharu), Dalit and their women, Brahmin, Chhetri, Gurung, Darai.
	Potentially high contributors in future	Local government, community school, enterprise and private enterprise owners, government offices	Tharu, Magar, Darai, Kumal, Bote-Majhi Musahar
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Women of Chepang, Tharu, Darai, Tamang, Dalits, single women, women from low-income households	Poor households of all caste groups, IPs and Dalits, and their female members for grass, firewood,
	Potential loss of occupational and customary practices	s, Bote-Majhi Musahar	Bote-Majhi Mushar outside National Park, IPs
Forest-dependent communities outside forest groups for survival		IPs, illegal poachers, illegal harvesters, Non-timber forest product owners Dalit women,	Bote-Majhi Mushar outside National Park, IPs and their women

	single women, Chepang and income poor households.	
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**Table 12: Consultation in Parasi, Rupandehi and Kapilbastu districts, Lumbini Province**

Content of discussion on identification beneficiaries		Outcomes/suggestions		
		Parasi	Rupandehi	Kapilbastu
Forest management (state, communal, private and traditional)	Government	Govt-MFs,	Govt-MFs,	Govt-MFs
	Communal	CFs, CoFs, RFs, LHFf,	CFs, CoFs, RFs, LHFf, Public land	CFs, CollFs, RFs, LHFf,
	Traditional and customary practices	Babiyo/roof material collector, Grass cutter/herder, Coal collector, Linga, Fisher, Niuro collector	Dhakiya, Broom, Khatiya maker- Tharu, Doko, Dalo and Namlo – Magar, Madal-Sarki, Coal and Instrument Handle-Blacksmith, Livestock rearing – Tharu and Magar, Dalit, Medicinal users, domestic alcohol maker— poor Magar, Gurung women	Tharu, Mahuwa
	Private	Private forests	Private forests	PFs,
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Women Herder, women leaf collector, women Niuro collector, Grass cutter, Forest watcher, Household nearby forests, Muslims, Dalit women, Tharu women, Hill women	Forest close to communities, IPs- Magar, Gurung, Tamang women and men, forest watchers, Temple pujari, Executive committee, Poor Dalit women,	Poor and IPs households (Tharu, Magar, Gurung, Tamang, Majhi and Newar) and their women, Chhetri, Brahmin, and poor women
	Potentially high contributors in future	Community nearby forests, mother groups, media, eco-club, timber seller, NGOs, distant users	Private forest owners, Agriculture groups, women groups, IPs (Tharu, Magar, Gurung and Dalit)	Women, Firewood collector/seller, herder, Dalit women and men, IPs women and men, Chhetri and brahmin
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Poor households, Madhesis, Dalits and IP women, Poor households nearby forests	Firewood sellers Forest-dependent people Timber contractors	Poor IPs and Dalit women (Tharu, Gurung, Tamang, Magar) Local communities
	Potential loss of occupational and customary practices	Babiyo/roof material collector, Grass cutter/herder, Coal collector, Linga, Fisher, Niuro collector	Blacksmith- coal for survival, Tharu, Magar, Tamang and Gurung women	Dalit, Herder, Tharu women (Mahuwa) Tamang, Gurung women (Leaf Plate), Dalit (Coal collection)



Forest-dependent communities outside forest groups for survival	Silaute, Lohar (blacksmith for coal), dalit and IPs women, Firewood seller	Tharu-women- Babiyo collection, Rental households, Nomadic, monks, Coal makers – blacksmith, domestic alcohol makers Indigenous Peoples women	Banjara
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**Table 13: Consultation in Dang, Bank, Bardia district, Lumbini Province**

Content of discussion on identification of beneficiaries		Outcomes/suggestions		
		Dang	Banke	Bardia
Forest management (State, communal, private and traditional)	Forest management legal ownership	Govt-MFs	Govt-MFs, National Park	Govt-MFs, National Park
	Communal	CFs, CollFs, LHF, Govt-MFs,	CFs, CollFs, RFs, BZFs	CFs, CollFs, RFs, BZFs
	Traditional and customary practices	RFs,	No	Raji, Raute, Sonaha, Gaine, Tharu, <i>Badghars</i> , Chaukidar, communities worshipping Barpipal, Hindu
	Private	PFs,	PFs,	PF
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Poor IPs (Tharu) and Dalit, religious forests	Poor Dalit, Magar, Kumal, Madhesi, Muslim	Tharu, Newar, bahun, Chhetri, women of all social groups, youth club, forest group executive committee, Madhesi, Muslim women, women CFUG
	Potentially high contributors in future	Forest users specially low-income households, religious forests, Pujari (Priest)	Retired army, police, Youth clubs, women groups, Firewood sellers, returnees, timber contractors	Eco club, women's groups, <i>Badghars</i> , Tole improvement committee.
Dependency on forests for survival and traditional/ occupations	High dependency on forests for survival	Tharu, Yadav, Magar, Tharu Kumal, Coal collector, IPs	Tharu, Chidimar, Madhesi, Muslim, Kumal, Khuna, Badi,	Poor households, women, children, unemployed youth, Lohar (coal), Sonaha, Raji
	Potential loss of occupational and customary practices	Tharu, Tharu Kumal, and their women, Religious forests	Kumal, Khuna, Badi, Lohar – Coal collector, Yadav (Ahir)	Lohar (coal), farmers
Forest-dependent communities (for their survival) not belonging to forest groups	Forest-dependent communities outside forests	Landless Tharu, Dalits, IPs, Brahman, Chhetri, Employment-less households,	Chidimar, Grass seller, Kumal (Madhesi), Pathakata, Distant users	Raute, Free bonded labour (Mukta Kamaiya), Sukumbasi (slums), firewood collector, herder, Lohar (coal), farmers

		Coal collector, women (leaf plate makers)		
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**Table 14: Consultation in Kailali and Kanchanpur district, Sudurpaschim Province**

Content of discussion on identification of beneficiaries		Outcomes/suggestions	
		Kailali	Kanchanpur
Forest management (State, communal, private and traditional)	Forest management legal ownership	Govt-MFs,	Govt-MFs, National Park
	Communal	CFs, CollFs, RFs,	CFs, CoFs, RFs, BZFs
	Traditional and customary practices	Kumale (Firewood), Raji- Honey hunter, Medicine collectors, Tharu-Leaf and firewood	Mohana forests connected with Sukhalaphanta NP, Family forests, river side forests
	Private	PF	PF
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Poor Tharu women, Poor Dalit and other	Rana Tharu, Chaudhary, free bonded labor, Muktha Haliya, National Park Victim (most affected communities), Dalit – Doko, namlo, dalo, betbans, broom
	Potentially high contributors in future	IPs, clubs, women groups, anti-poaching units, FECOFUN, NEFIN, HIMAWANTI, Forest staffs, COFSUN, Politician, Local conservation committee, DFO	Eco-club, poor households—Dalit, Rana tharu, Chaudhary, Lohar, Parki, Sarki, Badi, Kumal, Raute, Majhi and women of these groups
Dependency on forests for survival and traditional/ occupations	High dependency on forests for survival	Tharu women (Leaf, Firewood,), Raji (honey and fruits), Kumale (need firewood for mud-pot making), Raute (wooden pots) and poor households (agricultural equipment)	Parki, Sarki, Badi, Lohar, Chaduhary, Rana Tharu, Raji, Raute, Majhi, Firewood Collector (Daure)
	Potential loss of occupational and customary practices	Traditional customs and practices	Raute, Majhi, Raji, Black smith, cobbler, Medicinal collector
Forest-dependent communities (for their	Forest-dependent communities outside forests	Raute and Landless people	Seasonal livestock herder, seasonal migrants (Magar, Dalit), Medicinal, fruits, grass collectors

survival) not belonging to forest groups			– Rana Tharu, Dalit, Chaudhary, Raute, Raji and others
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## ANNEX 7:

### OVERVIEW OF NON-MONETARY BENEFITS IDENTIFIED THROUGH STAKEHOLDER CONSULTATIONS

**Table 15: Non-Monetary Benefits Identified through Stakeholder Consultations**

District	Types of non-monetary benefits	Target groups
Rautahat	Capacity-building training on income-generating activities Forest products (timber, firewood, medicinal plants)	Low-income Dalit households Distant users
Bara	Capacity-building training, skill based-and income-generating activities, employment Leadership training, income-generating activities and employment Capacity-building training, training based on the right to natural resources Capacity-building training to enhance the right to natural resources	Low-income households Women Dalits and marginalized households (minority groups) IPs
Parsa	Leadership training and skill-based training Leadership and skill-based training and employment Awareness training and leadership training	Poor, domestic violence affected IPs women Conflict victims IPs and Dalits FECOFUN, Forest user committee and local stakeholders
Chitwan	Training on income-generating activities Capacity building Skill development Employment generation Modern equipment for fire protection and training	Socially and economically marginalized groups Poor households of Dalit, (single) women, and IPs All members of forest user groups
Nawalpur	Forest management training Forest fire control training Forest fire control equipment Fireline construction training Control of illegal harvesting Control of encroachment Mobilization of revolving fund for income-generating activities	Forest users Forest users and DFO Forest users and DFO Forest users and DFO Forest users Forest users Forest users
Parasi	Women's empowerment Leadership training Seedling distribution	Poor women, Madhesis women Forest users Private forest owners/CFUGs

	<p>Account keeping training  Skill-development training  Leaf plate making training  Modern fishing technology  Firefighting training</p>	<p>Executive committee treasurers  Dalit women  Hill women  Tharu, Bote-Majhi  Forest users</p>
Rupendehi	<p>Firefighting  Weeding and cleaning instruments  Medicinal processing technology and materials  Briquette, biogas and ICS  Income-generating activities  Leadership training  Modern iron working technologies and skills  Traditional knowledge conservation  Sustainable forest management</p>	<p>Forest watchers, households with nearby forests  Forest user groups  IPs  Local communities  IPs (especially women)  IPs, Dalit women and forest-dependent poor households  Blacksmiths and Dalit men  IPs  Forest groups</p>
Kapilvastu	<p>Leadership training  Forest management training  training on GESI perspectives  Gender sensitivity training for men  REDD training  Seedling production and distribution  Firefighting  GIS training  Skill-based training  IPs' culture protection</p>	<p>IP women and EC  Executive Committee  Staff and Technician  Minority group  Forest groups and all  Private Forests Owners  Forest groups/IPs  Staff/Technician  IPs and Dalit women  IPs</p>
Dang	<p>REDD+ training  Leadership training and governance  Income-generating and skill-based training  Leadership Training  Gender sensitivity training for men</p>	<p>Local communities permanently residing in communities  Men leaders and elected leaders  Poor women  Women  Men leaders (forest groups)</p>
Banke	<p>Skill-development training  Training on carbon measurement</p>	<p>Target groups: women, Dalit, IPs, Madhesis, and Muslims  Preparation of Local Resource Persons in each forest group  engaging Madhesis, Muslims, poor and Dalit for employment  generation</p>
Bardia	<p>Leadership training, capacity development, awareness training  Vocational training, skill development training  Account training, forest management training, disaster risk reductions</p>	<p>Poor households, wildlife victims, nearby forest users  Tharu, Muslims, Madhesis, and poor household women  EC members</p>

	<p>Technical training/Forest carbon measurement training Forest Fire control training</p>	<p>Facilitators Youth club, eco-club, EC members, Badghars, forest watchers</p>
Kailali	<p>ICS Coal making Skill and capacity building training Firefighting training and equipment Nursery establishment and seedling production Medicinal production training</p>	<p>Firewood dependent households Coal collectors (blacksmith) and Raji makers of mud pots Low-income (poor) households and women FUG members CFUGs, private forest owners, Medicinal promoters, private forest owners</p>
Kanchanpur	<p>Firefighting training Income generating training Scholarship Account management training Seed distribution Firewood collection from river for forest-dependent communities outside forest groups</p>	<p>Forest user groups Dalit and IPs Dalit and IPs EC members Private forest owners Communities outside forest groups</p>

## ANNEX 8:

### RECOMMENDATIONS FROM LOCAL AND PROVINCIAL STAKEHOLDERS ON FLOW OF FUNDS MECHANISM AND PAYMENT MODALITIES

**Table 16: Recommendations on Flow of Funds Mechanism and Payment Modalities**

Districts	Funds flow institutional setup	Mode of payment
Rautahat, Bara and Parsa	<ul style="list-style-type: none"> <li>Mechanism for distribution of money received should be simple</li> <li>Conflict between existing forest management initiatives such as scientific forests and goals of ER Program</li> <li>Distribution of benefits through FDF would be better</li> </ul>	<ul style="list-style-type: none"> <li>80% allocation of benefits to local communities is appreciative</li> <li>Poor households should be benefited</li> </ul>
Chitwan and Nawalpur	<ul style="list-style-type: none"> <li>Benefit sharing mechanism under NORAD REDD+ project could be lessons for ER Program</li> <li>Need a clarification mechanism to distribute benefits to the Chepang (an IP that have been managing forests using customary practices)</li> <li>Women representation in steering committee should be at least 50%</li> </ul>	<ul style="list-style-type: none"> <li>80% allocation of benefits to local communities is appreciative</li> <li>How to differentiate households for benefits within forest groups</li> </ul>
Parasi and Rupandehi	<ul style="list-style-type: none"> <li>FDF is an appropriate approach</li> <li>Contribution of private forests should be accounted for the distribution of benefits</li> <li>Role of Province Forest Directorate should be clear</li> </ul>	<ul style="list-style-type: none"> <li>Bote-Majhi and Musahar should be major beneficiaries.</li> <li>Intragroup equity is key to ensuring sustainable reduction of deforestation and forest degradation.</li> </ul>
Kapilvastu and Dang	<ul style="list-style-type: none"> <li>Number of representatives in local level steering committee is not clear</li> <li>Role of Local Government should be clear in funds-flow mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Current benefit distribution in community-managed forests, including community forest user groups, is not equitable. The benefits do not reach vulnerable groups such as IPs and others, so a separate channel should be developed under the ER Program to ensure these groups also benefit from the BSP.</li> </ul>
Banke and Bardia	<ul style="list-style-type: none"> <li>FDF will be a suitable mechanism among three options</li> <li>Representation of CSOs in steering committee should be more than government representatives</li> <li>Women's representation at steering committee should be 50%</li> </ul>	<ul style="list-style-type: none"> <li>Distribution of ER benefits within forests should be based on current practices. However, the distribution of provision of new Forest Act, 2019 is not clear.</li> <li>Free bonded labor, Raute (one of the highly vulnerable IPs who seasonally migrates) specially in Bardia and Banke should be benefits</li> </ul>
Kailali and Kanchanpur	<ul style="list-style-type: none"> <li>Proposed allocation percentage is acceptable to the local communities</li> <li>Role of Provincial Government, especially the provincial Forest Directorate is not clear</li> </ul>	<ul style="list-style-type: none"> <li>Tharu and other marginalized groups should be benefitted much from the benefit distribution.</li> <li>More benefits should be allocated to the forest user groups. Money should not be invested in administration costs.</li> </ul>

## ANNEX 9:

### OUTCOMES OF NATIONAL CONSULTATION WITH WOMEN REPRESENTING DIFFERENT NETWORKS (GOVERNMENT, CSOs, AND PRIVATE SECTOR)

**Venue:** Babarmahal, Kathmandu

**Date:** June 19 and 21 June, 2019

**Organizations represented:** HIMAWANTI, NIWF, COFSUN, NWCF, FECOFUN, COFSUN, Department of Environment, AFFON, Ministry of Forest and Environment, DNPWC

**Number of participants:** 39 (Women: 38; IPs: 13; and Dalits: 8)

**Table 17: Consultation with the Women Representative Organizations and Outcomes**

Agenda item	Agenda item details	Concerns and suggestions
Windows for benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Unanimously voted for the Development of Special Fund i.e. FDF is appropriate. Their views on second and third models were that government may have high control over the funds-flow and percentage of money for the local communities would decrease.
Institutional setup for flow of funds (roles at federal, provincial and local level)	<ul style="list-style-type: none"> <li>• Steering committee</li> <li>• Representation</li> <li>• Tiers and levels of institutional setup</li> <li>• Reporting system</li> </ul>	<p>While women occupy 51% of Nepal's population, at least 50% of women representatives should be in each steering committee (funds-flow decision-making bodies). Women from diverse caste/ethnic background, geographic and ecological zones.</p> <p>Government representative in federal steering committee should be only from the concerned government authorities such that the majority of representation would be from CSOs. Women elected member should be in local level steering committee</p> <p>Clarify the role of provincial level Forest Directorate</p>
Criteria for benefit distribution	<p>Based on contribution</p> <p>Based on inputs and costs</p> <p>Based on social justice</p> <p>Combination of all</p> <p>Basic Allocation</p>	Customary managed and protected forests should be reflected in the funds-flow mechanism and benefit them accordingly Need more clarification on the bases of allocation of Basic Allocation. It is good but needs to clarify
Criteria for benefit sharing among forest management regimes	Proportion of benefits proposed to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	<p>Need clarification to GESI group</p> <p>More clarity needs on Investment Plan or implementation plan. Guidelines should be developed to simplify the Investment Plan.</p> <p>At least 80% benefits of the total should go to local communities as guaranteed by the Climate Change Policy, 2011 and 2019</p>
Non-monetary benefits	<p>Services</p> <p>Goods</p>	Both monetary and non-monetary benefits

## ANNEX 10:

### OUTCOMES OF CONSULTATION WITH CSOs (FEDERATIONS)

**Venue:** Kathmandu (FECOFUN in Bijuli Bazar, ACOFUN in Babarmahal, NEFIN in Thamel, RDN- Boudha, DNF- Tripureshwor, YFIN- Durbar Marg and DANAR in Budhanilkantha)

**Date:** June 20–25, 2019

**Organizations represented:** FECOFUN, ACOFUN, NEFIN, RDN, DNF, DANAR, YFIN)

**Number of participants:** 11 (1 woman; IPs: 2; Dalit: 3)

**Table 18: Consultation with the Community Organizations and Outcomes**

Key agenda	Agenda details	Concerns and suggestions
Windows for benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Development of a special fund such as a FDF is appropriate. However, decision-making body of FDF is not inclusive. How to link FDF committee to REDD+ Strategy suggested committee.
Funds flow and institutional setup (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional setup Reporting system	Representation of CSO should at least 50% or more than government representatives Transparent and accountable governance system Signatory entity at local level should be nominated by steering committee of the same level. Keep it open now. Make funds-flow institutional set of less tiers
Criteria for distribution of benefits	Based on contribution Based on inputs and costs Based on social justice Combination of all basic allocations	<ul style="list-style-type: none"> <li>• IPs, Dalits, women for their historical contribution to the forest management and social justice</li> <li>• Must account for forest being managed by IPs with customary practices. Respect to cultural rights.</li> <li>• Benefit should be distributed based on population share and positive discrimination.</li> <li>• Special provision/mechanism should be developed for IPs and Dalits to ensure equity and social justice in benefit sharing plan.</li> <li>• Idea of basic allocation is good but specific criteria need to be developed for this basic allocation.</li> <li>• Representation of IPs and Dalits should be ensured at all levels of decision-making bodies/institutions.</li> <li>• In many cases, Dalits are excluded from community forest user groups. These excluded groups should be included as formal members in community forest user group.</li> <li>• Distribution of basic allocation should focus on the excluded groups from being member of community forest user groups</li> <li>• Identify the reason for not including the Dalits and other households in community forest user groups. Make it easier for these groups to become formal members of community forest user groups.</li> <li>• Indicate forest under customarily managed in the funds-flow mechanism</li> <li>• Priority should be given to communities that are highly forest-dependent for their livelihood, highly marginalized and economically vulnerable families or groups among the IPs.</li> </ul>



		<ul style="list-style-type: none"> <li>• Need a free membership provision in community forest user groups</li> </ul>
Criteria for benefit sharing among forest management regimes	Proportion of benefits proposed to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	IPs should receive BSP benefits in recognition of their historical role in and contribution to forest conservation and sustainable forest management.
Non-monetary benefits	Services Goods	<ul style="list-style-type: none"> <li>• Priority should be given to providing beneficiaries with monetary benefits (cash) rather than non-monetary benefits.</li> <li>• Forest groups can decide themselves—in consultation with households' beneficiaries—how to use the funds.</li> <li>• Non-monetary benefits should include empowerment, skill development</li> </ul>

## ANNEX 11:

### OUTCOMES OF CONSULTATION WITH EXPERTS

**Venue:** (RECOFTC- Lalitpur, SIAS- Baneshwor, NFA- Babarmahal, IWMI- Babarmahal) Kathmandu

**Date:** June 20–25, 2019

**Organizations represented:** RECOFTC, SIAS, NFA, IWMI

**Total participants:** 4 (1 woman; and 1 IP)

**Table 19: Consultation with the Experts and Outcomes**

Key agenda item	Agenda item details	Concerns and suggestions
Windows for benefit distribution	Special fund, conditional grants or Federal Dividend Fund	Development of Special Fund such as FDF is appropriate. However, we do not have good experience on FDF. But still it is better than the rest two options.
Institutional setup for funds flow (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional setup Reporting system	Reduce the number of tiers to enhance efficiency and simplify the administrative process Provincial representatives should be included in the federal level funds flow Decision-making steering committee. Doing so helps retain institutional memory, given there is no such steering committee at the provincial level.
Criteria for benefit distribution	Based on contribution Based on inputs and costs Based on social justice Combination of the above Basic allocation	<ul style="list-style-type: none"> <li>• Poor households of IPs, Dalits, Madhesis, and other poor households and their female members represent groups at risk that should benefit from ER payments.</li> <li>• Consideration of three variables, besides the legal basis (i.e., contribution to ER, and forest dependency) to identify beneficiaries within forest groups is great.</li> <li>• Provision of basic allocation is appreciative but identification of these groups of beneficiaries is difficult.</li> <li>• Household level equity in forest groups is important as management over Nepal's forests is decentralized proportionally. This practice was exercised by the NORAD REDD+ project in Nepal. Lessons from this project would be useful.</li> </ul>
Criteria for benefit sharing among forest management regimes	Proportion of benefits to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	<ul style="list-style-type: none"> <li>• Condition and contribution of forest regimes vary by geographical and ecological zone. Making equity is critical in this situation.</li> <li>• Distribution of benefits based on the forest area to the government-managed and community-managed forest would not be fair and equity while local communities have historical volunteer contribution to the management of forests.</li> </ul>
Non-monetary benefits	Services Goods	Distribution of both monetary and non-monetary benefits

## ANNEX 12:

### OUTCOMES OF CONSULTATION WITH FEDERAL MINISTRIES

**Venue:** Singha Durbar, Kathmandu

**Date:** June 8, 2019

**Consulted Ministries:** Ministry of Finance, National Natural Resource and Fiscal Commission

**Total participants:** 3 (Joint Secretary and spokesperson—Dr. Gopi Krishna Khanal, and Under-secretary Mr. Kapil Subedi, from NNFRFC and Joint Secretary Mr. Thaneshwor Gautam from the Intergovernmental Fiscal Management Division of MoF)

**Table 20: Consultation with the Federal Ministries and Outcomes**

Key agenda item	Inputs and Suggestions
Introduction to ER Program: Benefit sharing within the ER Program	Objective of ER program was described, and idea of development of Benefit Sharing Plan as a precondition of the signing of ERPA was informed seeking their inputs on the funds-flow mechanism
Existing provision of benefit sharing in forest user groups	<ul style="list-style-type: none"><li>• FDF under the 2019 Forest Act, under process of approval by the “Federal Parliament”</li><li>• No clarity on the operational process of FDF</li><li>• Better not to develop a separate fund</li><li>• Operation of FDF should comply with the national benefit distribution policy</li><li>• However, FDF will be active once Act becomes approved</li><li>• Ministry of Finance and Ministry of Forest and Environment should coordinate in this context</li></ul>

## ANNEX 13:

### LIST OF PARTICIPANTS OF STAKEHOLDER CONSULTATIONS IN THE FIELD

**Venue:** Alpha House, Kathmandu, Nepal

**Date:** Tuesday, June 25, 2019

**Table 21: List of participants in the stakeholder consultation**

SN	Name of participant	Organization of participant	Designation	Gender	Caste details			
					B/C/O	IPs	Dalit	Madhesi
1.	Dr. Sindhu Pd. Dhungana	MoFE	Joint Secretary	M	✓			
2.	Mr. Chakra Pani Pandey	MoFE	Joint Secretary	M	✓			
3.	Mr. Bhim Prakash Khadka	FECOFUN	V Chairperson	M	✓			
4.	Mr. Thakur Bhandari	FECOFUN	Secretary	M	✓			
5.	Mr. Radheshyam Siwakoti	ACOFUN	Co-President	M	✓			
6.	Mr. Nirajan Khadka	NFA	Members	M	✓			
7.	Mr. Birkha Bahadur Shahi	FECOFUN	G. Secretary	M	✓			
8.	Ms. Arati Shrestha	MOLJPA	U Secretary	F		✓		
9.	Mr. Dilli Prasad Poudel	SIAS	Researcher	M	✓			
10.	Dr. Yadhav Prasad Kandel	Freelancer	Freelancer	M	✓			
11.	Mr. Chandra Man Dangol	MoFE	J Secretary	M				✓
12.	Mr. Yam Prasad Pokharel	FRCT	DDG	M	✓			
13.	Ms. Laxmi KC	HIMAWANTI	Chairperson	F	✓			
14.	Ms. Bina Shrestha	COFSUN	G. Secretary	F		✓		
15.	Ms. Jayanti Sharma	HIMAWANTI	UP	F	✓			
16.	Ms. Kamala Thapa	NIWF	Executive Director	F		✓		
17.	Ms. Basana Sapkota	Freelancer	Gender specialist	F	✓			
18.	Ms. Sharashowati Aryal	REDD IC	AFO	F	✓			
19.	Ms. Laxmi Neupane	NNRFC	AFO	F	✓			
20.	Dr. Pasang Sherpa	CIPRED	Chairperson	M		✓		
21.	Mr. Santosh Mani Nepal	WWF Nepal	Sr. Director	M	✓			
22.	Dr. Binod P Devkota	MoFE	Under Secretary	M	✓			
23.	Mr. Drona Raj Ghimire	World Bank	Sr Enr Sp	M	✓			
24.	Ms. Radha Wagle	REDD IC	Chief/Joint Secretary	F	✓			
25.	Mr. Gopal Prasad Bhattarai	DNPWC	DDG	M	✓			
26.	Dr. Pasang Dolma Sherpa	CIPRED	ED	F		✓		
27.	Dr. Eak Rana	Consultant	REDD+ expert	M		✓		
28.	Ms. Bishnu Kumari Adhikari	REDD IC	AS CO	F	✓			
29.	Mr. Ashok Parajuli	REDD IC	AFO	M	✓			
30.	Nr. Janak Padhya	REDD IC	U Secretary	M	✓			
31.	Mr. Shankar Adhikari	REDD IC	U Secretary	M	✓			
32.	Ms. Aakriti Poudel	ANSAB	Program Officer	F	✓			
33.	Dr. Menaka Neupane	Consultant	Freelancer	F	✓			
34.	Ms. Parbata Gautam	FECOFUN	Treasurer	F	✓			
35.	Mr. Jagat Bahadur Baram	NEFIN	Chairperson	M		✓		

36.	Ms.Srijana Shrestha	REDD IC	U Secretary	F		✓		
37.	Mr. Jograj Giri	AFFON	Chairperson	M	✓			
38.	Mr. Sunil Kumar Pariyar	DANAR	Founder	M			✓	
39.	Mr. Deepak Bhandari	Federation of Leasehold Forest	Chairperson	M	✓			
40.	Dr. Tek Maraseni	Australia	USG	M	✓			
41.	Ms. Prabata Sharma	PSPL	P Officer	F	✓			
42.	Mr. Prashant Poudel	PSPL	S Forest Off	M	✓			
43.	Mr. Jhanak Khatri	PSPL	Ad/Fin Officer	M	✓			
44.	Mr. Nabaraj Dahal	PSPL	ED	M	✓			
45.	Dr. Dil Bdr Khatri	SIAS	ED	M	✓			

Note: B/C/O = Brahmin, Chhetri and others.

## ANNEX 14:

### OUTCOMES OF NATIONAL STAKEHOLDER SHARING WORKSHOP/CONSULTATION

**Venue:** Alfa House, New Baneswhor, Kathmandu.

**Total participants:** 45 (Women, IPs, 1 Dalit, Madhesis)

**Table 22: National Stakeholder Sharing Workshop/Consultation and Outcomes**

Key agenda item	Agenda item details	Concerns and Suggestions
Window of benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Development of Special Fund such as FDF is appropriate. However, we do not have good experience on FDF. But still it is better than the other two options.
Institutional setup for flow of funds (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional set up Reporting system	<ul style="list-style-type: none"> <li>• Proposed tiers (to enhance efficiency and the administrative process)</li> <li>• CSOs' representation in both federal and local Level steering committee should be at least equal (current proposal of 11 government and 9 CSO representatives should be reviewed).</li> <li>• Women's representation should be at least 50% in the steering committee</li> <li>• Provincial representatives should be invited to sit on the federal funds flow decision-making steering committee. Doing so helps maintain institutional memory at the provincial level (which does not have such a steering committee)</li> <li>• The steering committees should be as small as possible to reduce its costs and enhance efficiency</li> <li>• Allows local level steering committee to select the representative for the signatory entity</li> </ul>
Criteria for benefit distribution	<ul style="list-style-type: none"> <li>• Based on contribution</li> <li>• Based on inputs and costs</li> <li>• Based on social justice</li> <li>• Combination of all</li> <li>• Basic allocation</li> <li>• Investment Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Poor households of IPs, Dalits, Madhesis, and other poor households and their female members are at risk groups that should be BSP beneficiaries.</li> <li>• Consideration of two variables (i.e., legal basis, and contribution and forest dependency) to identify beneficiaries within forest groups is great.</li> <li>• Provision of a basic allocation is commendable to guarantee the concerns of forest-dependent communities outside forest groups. This may help to maintain equity among the non-member forest-dependent communities. However, a systematic inventory process should be developed to identify the genuine communities in this category.</li> <li>• The idea of an Investment Plan is good to enhance intragroup equity. However, it should not force forest user groups to manage fiduciary risks, as forest user groups have shown their accountability in forest management.</li> </ul>
Criteria for benefit sharing among forest management regimes	Sharing of benefits between government- and community-managed forests, based on area or profile of households involved) and benefit sharing among households within the forest groups	<ul style="list-style-type: none"> <li>• Substantial benefits (at least 80% of total benefits, as guaranteed by the climate change policy) should go to local communities.</li> <li>• Distribution of benefits to the government and communities based on the forest area managed in an equal ratio would not be fair and equitable, given that local communities have historically voluntarily contributed to the management of forests. Thus, to ensure equity and fairness, the communities that manage forests should receive larger benefits per forest area than the government.</li> <li>• To simplify the benefit distribution among forest groups, it should be based on the profile of the household members of the respective forest groups rather than the area they manage, even though forest areas are not evenly distributed.</li> </ul>

		<ul style="list-style-type: none"> <li>• Household level equity in forest group is important, as Nepal is decentralizing its forest management. This practice was exercised by NORAD REDD+ project in Nepal. Lesson from this project would be useful. The major point is that benefits should go to poor IPs, Dalits and Muslims and their female household members</li> <li>• Private forests should also be included in the ER Program benefit distribution process</li> <li>• Some forests in the ER Program are under the management of customary practices. An inventory should be done and ensure the benefits to these communities</li> </ul>
Operational and management costs	Costs for MRV, communication, and carbon registry	<ul style="list-style-type: none"> <li>• Costs for carbon registry system and MRV should separately be allocated. Operation cost should cover safeguards unit</li> <li>Development of national carbon registry system may reduce the costs of transaction</li> </ul>
Non-monetary benefits	Services Goods	Distribution of monetary and non-monetary benefits

**ANNEX 15:  
DETAILS OF INVESTMENT PLANS**

**Table 23: Investment plan**

SN	Heading	Descriptions
1	Investment Plan	An Investment Plan of community -managed forest groups is a commitment document to avoid potential environmental and social risks and to ensure their contribution to emission reduction.
2	Who prepare	Community-managed Forest groups prepare it
3	How it is prepared	Executive committee of each community and customary forest group prepares an Investment Plan that explicitly specifies 1. Forest activities (implemented and planned to implement), 2. Distribution of ER benefits among households within the groups- identifying – list be beneficiaries – men and women, caste/ethnic groups, and the form of benefits – monetary or non-monetary (materials), proposed activities with the support of this benefit, which should not be ineligible (i.e., vegetable farming, grocery running, pig rearing, etc).
4	Complementary with existing forest plan	Existing plan is a period plan, which is generally developed for 10 years. The forest operation plan provides a general description of the long-term forest management activities including harvesting techniques and benefit distribution. Within the scope of existing forest operational plan, forest groups prepare an Investment Plan particularly considering the ER program without contradicting with regular forest activities of forest operational plan
5	Implementation	Implementation of the activities in the Investment Plan is part of the forest user groups' regular activities. These activities focus on ER activities (concentrated on avoiding ineligible activities).