

## 18<sup>th</sup> Carbon Fund Meeting June 20-22, 2018, Paris

### Nepal's Response to several sets of comments made on its ERPD.

CFP Comments	
COMMENTS	RESPONSES
Nepal have made a number of positive improvements in their final ERPD.	Nepal appreciates for it
Leakage remains a (limited) concern, risk analysis could be more profound and clearer provisions could be elaborated.	<p>There are two track approaches to addressing these issues—within ERP program area and across the country. Leakage is likely when CBFM groups use remaining government-managed forests by conserving their own handed over forests. Within the ER program area, the government is targeting to hand-over all the remaining government forests to local people as CBFM. Once forests are handed over, all groups confine to their own community forest management with planned activities.</p> <p>Furthermore, the ESMF &amp; ERPD is informed by possible risks in the area and the proposed interventions will help minimize risks of reversal and displacement. For example, risk of reversal due to insufficient timber supply will largely be met from intervention 1 &amp; 2 of the ER program.</p> <p>At national scale, the Nepal National REDD+ Strategy will be implemented, which also has the CBFM as the major REDD+ strategic actions.</p>
The estimation of expected ER needs review – it appears to be an overestimation	YES, it was made early in the ERPIN before re-engineering the entire carbon accounting of the FRL that will be used also for the MMR. Since this is a performance-based program we will estimate ER once additional data such as CBFM areas are mapped.
Clarifying the correspondence between definitions of classes of forests used in the FREL and MMR (Indicator 6.1);	The ERPD shows no alignment and we recognize this. The data required will be collected as per section 9.1. CBFM areas will be mapped and the relation with Edge/Core stratification established.
Explaining how the emission reductions associated to cook stoves will be measured (Indicator 6.1);	During MMR, we will be taking total ERs generated in the accounting area, but not attributing to each intervention.
Making spatial data for the accounting area available on the REDD IC website as soon as it is ready for public presentation (Indicator 6.2);	Already uploaded in REDD IC website. Please refer to the link <a href="https://drive.google.com/file/d/100IbKGSaB3KVQTRsV-0_hPGxDSGc_KUG/view">https://drive.google.com/file/d/100IbKGSaB3KVQTRsV-0_hPGxDSGc_KUG/view</a>
Further clarifying how the uncertainty was calculated, and carrying out a propagation error exercise for the estimate of ERs (Indicators 9.1-9.2);	This has not been done as methods for FRL and MMR in the ERPD are not comparable BUT the same approach used in FREL will be used for ERs (Monte Carlo)
Clarifying to what extent the EF values used for the FREL and MMR are demonstrably equivalent (Indicator 14.3).	There will be NO DIFFERENCE in emission factors between the RL and MRV; these will be the same, as detailed in the ERPD. Emission factors may be improved if feasible based on additional work, but they will always be the same between RL and MRV.
The TAP suggests that there is a need for improved, higher-resolution maps as the Program moves forward – to provide sufficient detail for	Fully agreed and will be addressed as the program moves forward.

<p>planning where interventions will take place, to ensure clarity and precision in ER estimation and in the eventual MMR of ERs, including fire maps with frequency and location to better understand the causes of this potentially growing driver.</p>	
<p>Safeguard monitoring arrangements for ER program area needs to be added</p>	<p>Safeguard monitoring arrangements are described in Chapter 5 (Monitoring and Evaluation of ESMF Implementation) of the ESMF.</p>
<p>Safeguards: Unclear rights for lands traditionally owned by IPs or customary used / occupied. Please clarify how the planned safeguards instruments will take into account, as applicable, the recognition of traditional ownership, occupation, or usage of indigenous peoples or other communities claiming rights in areas subject to the transfer of forest management from government to local communities (Indicator 28.2).</p>	<p>Handing over government forests to local communities as community-based forest management(CBFM) means handing over forests to traditional users of the forests. Once the CBFM groups are formalized, the groups will be made inclusive of gender, IPs and LCs of the area and they will have power to influence the decisions of the CBFM. Therefore, handing over process further strengthens the rights of local people including indigenous peoples over the forests.</p>
<p>Financing gaps: there will be a cash flow deficit until approximately the seventh year and Nepal is “exploring options to close this gap” and “potentially interested to negotiate an advanced payment in the ERPA”. What other options have Nepal considered and have the relevant parties been engaged?</p>	<p>Nepal is seeking options from</p> <ul style="list-style-type: none"> <li>• Additional funding request to the Ministry of Finance</li> <li>• FIP</li> <li>• Regional IDA</li> <li>• Projects being prepared for GCF, GEF</li> </ul>
<p>The model presented is based on the previous context of the centralized government system, so we’re interested to see how this model operates in a changed context. For example, Nepal’s institutions such as AEPC are undergoing organizational restructuring. How will this be addressed?</p>	<p>National REDD Centre will collaborate with federal and state Ministries, local governments, Divisional Forest Offices, Community-based forest management groups and Alternative Energy Promotion Centre which are already set up under federal constitution.</p>
<p>Many of the program interventions rely on the DFOs (monitoring, outreach to stakeholders, providing trainings, etc.). Are DFOs sufficiently well resourced to undertake all these tasks?</p>	<p>In the new governance structure, the District Forest Office is renamed as ‘Divisional Forest Offices’ and will work in coordination with central, state and local governments as well as community-based forestry groups. The local governments have also made responsible for community forestry management, plantations in private lands, integrated land-use planning in new governance structure, which are major interventions in ERPD. Therefore, the resources of the local government will also be utilized in these activities in addition to DFO resources.</p>
<p>Does the GoN/NRC have the data (or capacity to collect the data) needed to create the detailed map of potential CBFM and resettlement areas?</p>	<p>NRC in collaboration with Department of Forest Research and Survey will be able to prepare detail maps of potential CBFM and resettlement areas. Since we already have forest maps of each municipalities/local government/districts, and the already handed over forests have boundaries with GPS reference, deducting already handed over forests from the total national forests give picture of the potential CBFM across the ER program. The detail map of resettlement areas will need some more efforts.</p>
<p>Is the 2011 Climate Change Policy, which outlines that 80% of any climate related funds be put towards the benefit of communities align with the ER-P’s proposed use of funds to “build capacity in public agencies to implement and scale key programs and activities”? How will the program</p>	<p>The carbon money received as result-based payment will be first deposited in the central government treasury. But this money will be ‘earmarked’ as REDD+ money and will be flown to the Ministry of Forests and Environment/NRC. It will remain as a fund and will be channeled to the ER program areas as programs that</p>

<p>ensure that the implementation and scaling of programs and activities results in direct benefit to communities in order to align with the policy?</p>	<p>will directly benefit the local communities/CBFM groups in the form of capital/investment, such as in implementing Sustainable Forest Management Plan which will increase the timber and non-timber products, providing subsidy to forest-based enterprises operated by CBFM, capacity building program of the local people for income generation activities etc. The detail of the benefit sharing will be elaborated in BSP which will be completed by December 2018.</p>
--	--

**TAP Comments**

Comments	Responses
----------	-----------

<p><b>14.3 related</b></p> <p>The emission factors are now different in the FREL and in the MMR period. The FREL uses core forest and edge forest change monitoring to estimate emissions from degradation (e.g., harvesting, fuelwood extraction, etc.) and from forest gain; while the MMR period uses an IPCC default value.</p> <p>The ERPD needs to show that the IPCC default factor used in the MMR period for sequestration of CO2 in community forest collaborative forest growth etc. is similar to the emissions factors of the core, edge, gain and degradation forest emission/sequestration factors used in the FREL (<u>minor non-conformity</u>).</p>	<p>The method used/to be used for:  FRL: Gain-Loss  MMR: Gain-Loss and Plots</p> <p>In the FRL, EF was based on <u>Area Gain</u>: 3.8 t C ha<sup>-1</sup>yr<sup>-1</sup> (based on plot data), however for the Ex-Ante, the RF (Removal Factor) for forest remaining as forest was taken 2.8 tCha<sup>-1</sup>yr<sup>-1</sup> IPCC. This value is conservative compared to the above so the Emissions Reductions are estimated conservatively.</p> <p>However, the way forward is enhancement (sequestration) occurring in <u>forests remaining as forests</u> further needs to be carried out. Plots will be developed to monitor these and in particular in CBFM to develop Removal Factor (RF). CBFM areas will also be mapped. Once RF of CBFM is estimated for each of the strata (core, edge...), that will be applied for both FRL and MMR.</p> <p>The areas to be targeted are at present estimated at:  Stable Core: 839k ha  Stable Edge: 175k ha</p>
---	---

<p><b>22: Net ERs are calculated by the following steps</b></p> <ol style="list-style-type: none"> <li>1. Subtract the reported and verified emissions and removals from the Reference Level</li> <li>2. Set aside a number of ERs in a buffer reserve.</li> <li>3. Set aside a number of ERs in the ER Program CF Buffer</li> </ol> <p>An ER and buffer reserve estimate is provided, on page 160. The ER Program will allocate 23% of generated emission reductions to a buffer</p>	<p>The FRL method used the <b>Gain-Loss</b> approach, followed by the ex-ante that used an <b>activity based accounting approach using default RF values of the IPCC</b> and EF derived from Nepal’s biogas and ICS program. The MMR will be based on using the <b>Gain-Loss approach</b> setting up plots to develop RF as mentioned above.</p> <p>Currently the unavailability of data RF for forest remaining as forest mandated using RF from IPCC default values and EF from existing biogas and ICS programs. The difference in approach could be a reason for the difference, However, conservative</p>
---	--

<p>that will be managed by the Carbon Fund, based on estimated uncertainty of ERs (12% conservativeness factor) and risk of reversal of 11%. The consequent offer to the Carbon Fund is for transfer of 4.9 MtCO<sub>2</sub>e and 5.3 MtCO<sub>2</sub>e in years 4 and 6, respectively.</p>	<p>values have been used to the ER- Emissions reductions.</p> <p>Moreover, the buffer range has also been revised. Currently the consideration is 12% for Uncertainty and 21% for Risk of Reversal making the <b>ER estimation more conservative</b>.</p> <p>The total ERs for 10 years is 34.2 MtCO<sub>2</sub>e and with the buffer it has reduced to 23.78MtCO<sub>2</sub>e.</p> <p>The ERs for year 4 is now reduced to 4.4MtCO<sub>2</sub>e and that of Year 6 to 4.76MtCO<sub>2</sub>e totaling to 9.16MtCO<sub>2</sub>e and leaving 14.62MtCO<sub>2</sub>e from Year 7-10.</p>
<p><b>V. (a) Drivers and Land Resource Tenure Assessment → Criteria 27-28</b></p> <p>Description and justification of the planned actions and interventions have been improved in the Final ERPD. Potential risks and impacts of interventions for Indigenous Peoples and for gender considerations and proposed remedies during implementation of specific interventions were added and occur in the ERPD in, inter alia., Tables 12, 13, 14; and in text discussion for gender, for example, on pp. 80-81, 85,90,93,96.</p> <p>However, the ER Program has not yet made available the final ESMF and SES plans (although a draft ESMF was made available to the TAP for review), and so doesn't explain in detail how the relevant issues identified in the above assessment have been or will be taken into consideration in the relevant Safeguards Plan(s). Political transition management for institutional arrangements of the seven interventions in Nepal's federal restructuring process (Table 37) addresses how the ERP will cope with changes in forest</p>	<p>The ESMF has been revised (advance draft) addressing this concern. It is available online with provisions for updating.</p> <p>The ESMF explains details of IPVC identification, provisions of rights over lands, FPIC &amp; IPVC development plan</p> <p>The Customary Land rights is recognized/ respected through specific provisions under CBFM system</p> <p>The rights over land &amp; resources is recognized by country's constitution, REDD+ strategy &amp; forest policy.</p> <p>Safeguard plans such as mitigation measures, E&amp;S screening process, institutional arrangement, IPVCP, gender mainstreaming plan, decent work planning framework, resettlement policy, process framework, stakeholder engagement plan and GRM are detailed in the ESMF.</p>
<p><b>VI (b) Data Management and ER Transaction Registries → Criteria 37 - 38</b></p>	

<p>The ER Program host country made a decision to maintain its own comprehensive national REDD+ Program and Projects Database Management System to be managed by NRC. However, operational and administrative procedures are not yet fleshed out.</p> <p>Nepal intends during the initial period of implementation of the ER Program (while Nepal’s national registry is being established) to rely on the centralized ER transaction registry provided by the World Bank.</p> <p>The TAP considers this as a minor non-conformity that could be addressed by the country in a near future depending on the future negotiations between the country and the future administrator of the centralized ER transaction registry provided by the World Bank. It will also depend moment on the ability of the country to develop, implement and make available to the public via the internet the information on the national official language and in a way that address the risks of double counting.</p> <p>The criteria is not yet met, but the country is progressing and has taken important decisions to implement the actions needed to make publicly available in the near future the information contained in the national or centralized REDD+ Programs and Projects Data Management System.</p>	<p>The consolidated NFD and NFIS is under development.</p> <p>The NFIS will be informed by NFD</p> <p>The NFIS will be publicly available online in both English and Nepali language once completed by Dec 2018.</p> <p>The SIS will also be a part of the NFIS</p> <p>The DFRS database system is being updated in line with NFMS and REDD+ MRV requirements.</p> <p>The DFRS will maintain database system for ER Program</p>
--	---

**CFP Summary Comments**

<b>COMMENTS</b>	<b>RESPONSES</b>
<p><b>Displacement &amp; Reversal Risks</b></p> <p>Leakage remains a (limited) concern, risk analysis could be more profound and clearer provisions could be elaborated.</p> <p>The description of monitoring activities states that “burned areas mapping will be conducted on a periodic basis if needed...” How will it be</p>	<p>The Reversal Risk Assessments done based on field consultations. Based on the analysis, besides the activities which will help address the issue of the risk of reversal and displacement (handover of forests to community based forest management) the REDD+ strategy &amp; other related policies also prioritize addressing displacement &amp; reversal risks.</p> <p>Furthermore, the ESMF &amp; ERPD is informed by possible risks in the area and the proposed interventions will help minimize risks of reversal and displacement. For example, risk of reversal due</p>

<p>determined whether or not mapping of burned areas will take place?</p>	<p>to insufficient timber supply will largely be met from intervention 1 &amp;2 of the ER program.</p> <p>ICIMOD is currently monitoring forest fire data using MODIS and sending email alerts. NRC and DFRS will coordinate with ICIMOD to map burning areas according to the data developed by ICIMOD by Dec 2018.</p> <p>Forest fires only occur if a prolonged dry winter persists. 2016 witnessed that condition whereas 2017 and 2018 received early rains helping evade forest fires.</p>
<p><b>Financing Gaps:</b></p> <p>There will be a cash flow deficit until approximately the seventh year and Nepal is “exploring options to close this gap” and “potentially interested to negotiate an advanced payment in the ERPA”. What other options have Nepal considered and have the relevant parties been engaged?</p>	<p><b>Grand Total Budget ≈\$184 Million</b></p> <p><b>Available Finance ≈ \$ 134million</b> (from various sources)</p> <p>The break down for timeframes within the ERPA and after the ERPA as follows  Yea1-6: \$49.7M (Government Source/Projects \$45.8M (from Carbon Revenue)  Year 7-10: \$38.5M (Government Source/Projects)  <b>Thus, the financial gap is \$50M.</b></p> <p>The options explored for to close the gap is as follows:</p> <ul style="list-style-type: none"> <li>• Internal Borrowing (Government)</li> <li>• Expected Carbon Revenue of \$ 73.1M of Year 7-10 will help in fulfilling the borrowing</li> <li>• IDA: EOI is being forwarded through MOF</li> </ul>
<p><b>Institutional Capacity:</b></p> <p>Does the GoN/NRC have the data (or capacity to collect the data) needed to create the detailed map of potential CBFM and resettlement areas?</p>	<p>Government is aware of limited institutional &amp; stakeholder's capacity; thus, funds have been allotted for capacity building. The DFRS is already collecting data and has developed capacities on data collection and monitoring post the NFI. However, with new tools and technologies evolving, government staffs will be capacitated accordingly. Most of the remaining additional funding will be used for capacity building;</p>

	<p>The activities will be executed by existing government's institutions; thus, capacity of government authorities ranging from local to federal government level will be regularly updated/improved. Related stakeholders like IPs and LC will also be capacitated. Partnerships will also be sought from I/NGOs and welcomed as appropriate to help implement or support programs to achieve the ERs while ensuring safeguards.</p> <p>Institutional arrangement will be more stable as the restructuring process is finalized; multi-stakeholder forums will continue to function to enhance coordination, collaboration to assist in making right decisions.</p>
<p><b>Benefit Sharing Mechanisms</b></p> <p>Is the 2011 Climate Change Policy, which outlines that 80% of any climate related funds be put towards the benefit of communities align with the ER-P's proposed use of funds to "build capacity in public agencies to implement and scale key programs and activities"? How will the program ensure that the implementation and scaling of programs and activities results in direct benefit to communities in order to align with the policy?</p>	<p>A ToR for BSP (Benefit Sharing Plan) is being developed. The BSP to be informed by national policies for benefits &amp; revenue sharing, REDD+ strategy, SEA/ESMF &amp; related other reports.</p> <p>The basic guidelines for the BSM will be:</p> <ul style="list-style-type: none"> <li>● <b>80%</b> of the financial benefits to be channeled to communities in the form of capital (subsidy for SFM, forest-based enterprises, income generation, capacity building)</li> <li>● Not more than 20% to be used for administrative cost</li> <li>● Key beneficiaries: <ul style="list-style-type: none"> <li>● Community-based forestry groups</li> <li>● Indigenous peoples</li> <li>● Women</li> <li>● Other marginalized groups, such as Dalits</li> <li>● Private sector</li> <li>●</li> </ul> </li> <li>● The BSM will be based on the principals of equity, inclusivity and conditionality</li> </ul>

## Additional Information of Follow-Up Actions

Issues	What will be done	Who?	When?	Remarks
EF Consistency	-Establish new NFI plots in the Terai (tier 3) -Biomass modeling (tier 3)	DFRS + FAO	Dec 2018 Dec 2019	-110 new plots (DFRS) -FAO will provide technical support
Removal Factor of CBFM	-CBFM will be mapped to generate evidence of its impact (enhancement)	NRC, DFRS, ICIMOD	Mar 2019	-proposal is being developed
Emissions from fire	-Forest fire & its emission trend will be assessed	NRC, DFRS	Dec 2018	-proposal is being developed
DMS	-NFD NFIS will be completed & be available online; -update DFRS DBS for MRV	NRC, MoFE DFRS	Dec 2019 Dec 2018	-will be accessible online (Nep & Eng) -updated yearly
BS plan	- a detail study will be conducted	NRC, MoFE	Dec 2018	-provide details of BS plan
GRM	-functionalize	NRC,DFO	Dec 2018	
ESMF	-update based on feedbacks	NRC	Yearly	-Feedbacks, learning