

NEPAL EMISSION REDUCTIONS PROGRAM DOCUMENT (ER-PD)

“People and Forests - A Sustainable Forest Management-Based Emission Reduction Program in the Terai Arc Landscape, Nepal”

**Forest Carbon Partnership Facility (FCPF)
Eighteenth Meeting of the Carbon Fund (CF18)
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Outline of the Presentation



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Summary of ER-Program preparation support



The Bank

- Hired WWF US through competitive bidding process to support REDD Implementation Center and Ministry of Forest and Environment
- Undertook three full implementation support missions during ERPD preparation, in conjunction with REDD+ Readiness Project and development of FIP Investment Plan
- Provided technical guidance and advice to the ERPD Team
- Facilitated TAP country visit
- Liaised with FMT and TAP during the ERPD review and revision process
- Initiated its due diligence process

ER-Program relation to the Bank's portfolio (1)

(Forest Engagement Note, Systematic Country Diagnostic, FIP, & Coordination with development partners)

- The World Bank has prepared Forest Engagement Note consistent with Forest Action Plan (2016 – 2020) and related Nepal Forest Policy Note (approved in February, 2018)
- The Notes aim to support programs and priorities in Nepal's Forest Sector Policy (2015), Forest Sector Strategy (2016), National REDD+ Strategy (2018), 14th Plan, and Ministry's vision - "Forests for Prosperity".
- The Bank proposes programmatic engagement to explore the untapped potential of its forests for sustainable economic growth, job creation, social stability and addressing climate change.
- The Notes identify a menu of financial instruments to address barriers and tap opportunities, which include *grants* for technical assistance; *concession finance* for investments; and *result-based payments* for verified emission reductions.



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ER-Program relation to the Bank's portfolio (2)

(Forest Engagement Note, Systematic Country Diagnostic, FIP, & Coordination with development partners)



- The Notes have informed the Strategic Country Diagnostic (SCD) which forms the basis of the future Country Partnership Framework (CPF) for FY19-22.
- SCD includes “Natural Resources” as one of six priorities for the Bank.
- Indicative activities for these focus areas provide an excellent opportunity to address Nepal’s forest challenge by closing key development gaps.
- The current WB lending portfolio in Nepal covers the energy sector (hydropower), agriculture (livestock, irrigation) and transport (roads). The forestry sector is supported by Trust Funds such as FCPF and FIP.



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ER-Program relation to the Bank's portfolio (3)

(Forest Engagement Note, Systematic Country Diagnostic, FIP, & Coordination with development partners)

Forest Investment Program (FIP)

- The FIP endorsed Nepal's Investment Plan in Dec. 2017 and allocated \$24 million for investments and \$4.5 million for the Dedicated Grant Mechanism (DGM).
- The FIP Project will seek blending FIP resources with IDA resources. Overall budget for the project is estimated at USD 80-100 million.
- One of the FIP project components (with the loan portion of FIP) will directly support implementation of the Emission Reduction Program.

Collaboration with other Development Partners

- Development Partners have provided significant support to the Nepal forest sector and remain engaged, albeit financial assistance in most recent years has shifted to other areas.
- The Bank will continue its dialogue with Development Partners to explore opportunities for a coordinated support to Nepal's forest agenda, including ER Program implementation.



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Status of due diligence

(Outcome of PCN Meeting, Development Objectives, Key risks, and safeguards)



- A Program Concept Note (PCN) review meeting of the Nepal Emissions Reductions Program (P165375) took place on October 16, 2017.
- The Management authorized the team to proceed with the program preparation.
- As part of due diligence, Quality Enhancement Review and Decision Review Meetings will be organized once Carbon Fund Participants select Nepal ERPD into the portfolio.
- Agreed Project Development Objective: *“To make payments to the Recipient for measured, reported and verified Emission Reductions related to reduced deforestation, forest degradation and the enhancement of forest carbon stocks (ER payments) in Terai Arc Landscape, and to distribute ER payments in accordance with the agreed Benefit Sharing Plan.”*



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Status of due diligence

(Outcome of PCN Meeting, Development Objectives, Key risks, and safeguards)



- Overall risk rating for the project is “*Substantial*” due to technical complexity of ER Program, stakeholders expectations for REDD+, financing gap, and country’s recent transition to federalism.
- The Program has a multi-component, jurisdictional-level ESMF, the cumulative product of long-standing engagement by the government around Bank safeguards, that builds on a national-level SESA and ESMF elaboration, followed by a two-stage SEA of the TAL.
- The Bank currently considers this ESMF sufficient for an ERPA negotiation and signing. But it will further review safeguards-related readiness of the Program as part of its due diligence, to determine whether a “Safeguards Action Plan” will need to be prepared and adopted by the government in advance of ERPA signature.



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Conclusions

- The Bank intends to support Nepal's forestry sector through comprehensive programmatic engagement.
- Emission Reduction Program is an important piece of the Bank's programmatic engagement, complementing readiness and investment activities.
- The Bank acknowledges the leadership and determination of REDD IC and MOFE in finalizing the ERPD, WWF for its support, and TAP as well as CFPs for their comments on the earlier versions of the ERPD.
- The Bank remains committed to support the implementation of the ER Program.
- Nepal is well known for the successful implementation of community forestry, a peaceful transition of political power and state re-structuring. Bank is confident about important lessons Nepal can generate from ER Program implementation.
- The Bank looks forward to the selection of Nepal's ERPD into the Carbon Fund Portfolio.