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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT US\$3.4 MILLION

TO THE

GOVERNMENT OF NEPAL

FOR

REDD+ READINESS PREPARATION SUPPORT

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SUMMARY DATA SHEET

Nepal

REDD+ READINESS PREPARATION SUPPORT

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

South Asia

Agriculture and Rural Development

Date: Country Director: Susan Goldmark Sector Manager/Director: Simeon Ehui/John H. Stein Project ID: P116001 Lending Instrument: Team Leader: William Magrath	Risk Rating: Sectors: Agriculture and Rural Development Themes: Climate Change (67%); Other Environment and Natural Resource Management (33%)
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Date of country selection into FCPF: July 2008
 Date of Participation Agreement signed by Country: September 8, 2008
 Date of Participation Agreement signed by Bank: September 18, 2008
 Date of R-PP Formulation Grant Agreement signature: August 26, 2009
 Expected date of Readiness Preparation Grant Agreement signature: December 29, 2010

Project Financing Data:

<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other, explain:
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	

For Loans/Credits/Others:
 Total Project Cost (US\$M): N/A
 Cofinancing: N/A
 Total Bank Financing (US\$M): N/A

Source	Total Amount (US\$)
Recipient	550,000
IBRD	
IDA	
Others	
FCPF	3,400,000
DFID/SDC	1,468,000
Finland	780,000
JICA	360,000
USAID	1,166,000
Total	7,480,000

Regional FCPF Trust Fund Number:
 FCPF Country Child Trust Fund Number: TF094724

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Responsible Agency: Ministry of Forests and Soil Conservation REDD Cell	
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ABBREVIATIONS AND ACRONYMS

CO ₂ e	Carbon dioxide equivalent
ESMF	Environmental and Social Management Framework
ESW	Economic Sector Work
FCPF	Forest Carbon Partnership Facility
FMT	Facility Management Team
GON	Government of Nepal
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
LRMP	Land Resources Mapping Project
MRV	Monitoring, reporting and verification
NGO	Non-Governmental Organization
PC	Participants Committee
PPCR	Pilot Program for Climate Resilience
REDD+	Reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks in developing countries
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
Mt	Megaton (million metric tons)
SESA	Strategic Environmental and Social Assessment
UNFCCC	United Nations Framework Convention on Climate Change
WBS	World Bank System

NEPAL
REDD+ Readiness Preparation Support

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A. CONTEXT AND MAIN ISSUES

This report concerns Nepal's REDD+ Readiness Preparation Proposal (R-PP) 2010-2013, September, 2010 and assesses the proposed supplement to the ongoing Forest Carbon Partnership Facility (FCPF) Readiness Fund Grant No. TF094724 to provide Nepal an additional US\$ 3.4 million for preparing a Readiness Plan as defined in the Charter Establishing the FCPF. This Readiness Preparation Proposal Assessment Note assesses the proposed REDD+ Readiness support as presented in the R-PP, examines compliance with World Bank Safeguard Policies, and Bank policies on Procurement and Financial Management, discusses the technical quality of the R-PP, records the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describes the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

Nepal entered into the FCPF-supported process with submission of a Readiness Plan Idea Note (R-PIN) in 2008. An initial grant of \$200,000 was approved by the World Bank in August 2009. A first version of the R-PP was reviewed by independent experts under the procedures of the FCPF, and accepted by the FCPF Participants Committee subject to minor clarifications in June 2010. A revised version of the R-PP addressing questions concerning expectations regarding the impact of Nepal's constitutional process and on monitoring and evaluation was submitted to the Facility in October, 2010.

1. Strategic Context

As Nepal emerges from a prolonged political crisis, the World Bank's work in Nepal is guided by an Interim Strategy Note (Report No. 38119-NEP) that emphasizes protecting reforms, preparing a post-conflict economic program, carrying out a national visioning process, and lending support based on community-based approaches and an inclusion agenda. The Strategy takes note that serious governance, capacity and fiduciary risks will face implementation of development efforts in Nepal for the foreseeable future. Therefore, in the near term the Bank will focus on supporting community-led activities wherever they are successfully being implemented, while working with the reform forces to protect the gains and prepare for further reforms that should become possible when national attention is refocused on development. In addition, all Bank assistance-both financial and otherwise-will to the extent possible support the peace process to help ensure its success.

The Bank Strategy recognizes an "open moment" in Nepal where political turmoil may be creating space for leaders to carry reforms forward. The REDD+ Readiness Program could be a component of an expanded Bank engagement in Nepal on environmental and related livelihoods issues that could help innovators capitalize on the possibilities of the current period. In particular, the REDD+ agenda aligns with ongoing work on the Pilot Program for Climate Resilience (PPCR), the Poverty Alleviation Fund II (P105860), the proposed Strengthening Regional Cooperation on Wildlife Protection Project (P121210) and the ongoing PROFOR forestry sector ESW (P120509).

2. Main Deforestation and Forest Degradation Issues and Responses Identified in the R-PP

Nepal, with an area of 147,180 km² encompasses a diverse landscape in the Hindu Kush Himalayas. The National Forest Inventory (NFI, 1999) showed that Nepal had a forest area of 5.8 million hectares (40% forest cover) that consisted of 4.2 million ha (29%) of forest of varying quality and 1.6 million ha (10.6%) of shrubland. The middle mountains have about 48% of the forest area and the plains (*Terai*) have about 25%, with the remainder distributed in the high mountains of the Himalayas.

Studies show that Nepal's forest area decreased by 24% over 1979–1994, (an annual rate of 1.6%), while the area under shrubland increased by 126% during the same period (giving clear evidence of high rates of forest degradation). FAO's Global Forest Resource Assessment (2005) based on national data sources shows forest area decreasing from 4.82 million ha (in 1990) to 3.64 million ha (in 2005)¹. In addition, 400,000 ha were estimated to have been lost through fires in 2000. This area does not include forest degradation caused by grazing and encroachment. Degradation in government-managed forests is high compared to other forest management modes. Evidence strongly suggests that when forest management responsibility is transferred to local communities, degradation and deforestation is substantially reduced. Analysis of deforestation and forest degradation shows that the pressure is highest in the *Terai* region where public management is now concentrated. Currently, nearly 80,000 ha of forest in the *Terai* are encroached for agriculture and settlements.

The prominent causes of deforestation and degradation in the *Terai* and the high altitude forests are associated with the lack of clarity in the tenure system. The nationalization of private forest by the government in the 1950s was one of the key factors that accelerated deforestation throughout Nepal. In the *Terai* and *Siwaliks*, deforestation is widespread due to government resettlement programs, unplanned settlements and illegal clearing of forest for agriculture and illicit logging for smuggling across the border. Other causes of deforestation and degradation in the country are expansion of agricultural land for food production, extraction of firewood for cooking and domestic heating, forage gathering for livestock and forest grazing, inadequate management of public forests and restrictive forest management regulations. The current political instability and lack of land use plans has also exacerbated deforestation. Forest fire is another important factor. The rate of deforestation and degradation is lower in the Middle-hills where the community forestry program is believed to have been more successful.

Nepal's vision for REDD is that by 2013 and beyond, greenhouse gas emissions resulting from deforestation and forest degradation will be significantly reduced by forest conservation and enhancement, by addressing the livelihoods concerns of poor and socially marginalized forest dependent people, and by establishing effective policy, regulatory and institutional structures for sustainable development of Nepal's forests

¹ Values from different studies are not directly comparable because of differences in definitions and methodology.

under the forthcoming new constitutional framework. To achieve this, the R-PP provides a roadmap for developing and implementation based on:

- (a) Aligning the National REDD Strategy with Nepal's overall development strategy, and with the new priorities being established by the upcoming Constitution;
- (b) Enhancing coordination between sectors and government agencies responsible to ensure sustainability and avoid conflicts between national and sectoral policies and programs;
- (c) Ensuring multi-stakeholder involvement that reflects the diversity of Nepal's forestry sector as well as stakeholders from agriculture, local development, energy and infrastructure;
- (d) Utilizing and building capacity at national, sub-national levels for designing and delivering the REDD strategy and for sharing benefits;
- (e) Linking Nepal's REDD Strategy with national priorities for addressing poverty and enhancing the livelihoods of forest dependent people;
- (f) Using the REDD Strategy to capture and fully value the wide range of forests ecosystem benefits as well as the value of timber and non-timber forest products.
- (g) Establishing a clear link between carbon ownership rights and land tenure and by clarifying issues of rights to forests as a priority during preparation;
- (h) Recognizing the importance of forests in adaptation to climate change as well as their role in mitigation through REDD;
- (i) Building and expanding on Nepal's internationally recognized successful experiences with reducing deforestation and forest degradation and forest conservation and enhancement through participatory approaches to forest management and benefit sharing;
- (j) Encouraging further piloting and sharing during the REDD preparation phase;
- (k) Seeking and coordinating international funding support from Nepal's development partners to ensure consistency of approach and greater cost effectiveness of REDD.

3. Technical Assistance Provided by Bank Staff

The Bank has provided general advice to the REDD Cell on administrative and fiduciary aspects. The Bank has provided comments and suggestions on procurement and financial management capacity strengthening needed within the forthcoming REDD Readiness work. It has also advised generally on future revisions to terms of reference and made recommendations on packaging of studies into a smaller number of contracts for ease of administration.

4. Readiness Preparation Plan Program²

4.1 Objective. The objective of the Nepal Readiness Preparation Program is to prepare Nepal to engage in and benefit from the potentially emerging performance-based system from Reducing Emissions from Deforestation and Forest Degradation (REDD+) within the context of the international climate negotiations of the UN Framework Convention on Climate Change. Such a performance-based payment system (reduction of emission) are based on environmentally and socially sound policies and programs to reduce deforestation and forest degradation, a credible and marketable reference level (forest carbon emission “baseline” scenario) and technically robust systems of forest monitoring and emissions reporting. The Program will also develop forest policy and management systems, information and data, participatory methods and other human and institutional capacity of direct use in management and development of forests in Nepal for national poverty reduction, economic development and environmental purposes.

4.2 Outputs and Key Results. The Program will produce a set of studies providing policy and investment recommendations that are needed for Nepal’s effective marketing of forest-based carbon dioxide emissions reductions including an accepted national REDD strategy and implementation system; a supportable reference emissions level (baseline) and a monitoring, reporting and verification system.

4.3 Summary Description. The Readiness Preparation Program (see Annex 2) is made up of four major components consisting of research studies, trials, feasibility and pre-feasibility studies, technical capacity building, consultations and training. Total costs of the program are estimated at US\$7.5 million. The Readiness Preparation Program unites work being done by multiple agencies of government, non-governmental organizations and with support from various donors. These activities comprise a multi-stakeholder, participatory approach that includes analysis and development of forest and payment for environmental services policies and institutions, estimation of historical forest-based emission, design and capacity building for the development of an emission monitoring, reporting and verifications system, and overall management and support of the national REDD readiness process.

4.4 Detailed Component Description.

Component 1. REDD Analysis and Policy Development (US\$3.1 million)

(a) Stakeholder Consultation and Participation (US\$2.4 million). The Consultation and Participation Plan within the R-PP is intended to promote meaningful participation of all stakeholders and interest groups in the REDD readiness activities to enhance the potential positive benefits and reduce the risks or adverse effects. Proposed activities

² The component structure as described here differs slightly from that presented in the RPP. Elements of the RPP components 1a. (National Readiness Management Arrangements) and 6. (Program Monitoring and Evaluation Framework) have been combined as Component 4. Program M&E and National Readiness Management. Other minor adjustments were made in consultation with the REDD Cell to facilitate description of the program, to take note of cost savings identified during the assessment mission, and to facilitate preparation of the Grant Agreement Amendment.

for the plan include: awareness and outreach, capacity development and consultation. Capacity development will include training for staff of implementing institutions formation of a team of master trainers/facilitators, training of trainers, District level training, workshops for journalists, support for forestry and other academic institutions, development of training curricula and manuals, consultation workshops, public hearings, public notice and feedback collection, round-table meeting, consultations with experts, reflection/validation workshops.

- (b) Land Use and Forest Policy Analysis (US\$0.1 million). This sub-component includes studies on forest sector governance, law enforcement and policy implementation, including a study on the drivers of deforestation and forest degradation in *Terai*, *Churia* and in the High Mountain physiographic regions, a study on the value-chain of forest products (timber and a few key non-timber forest products), a study on the existing and potential supply and demand situation for forest products in different regions, a study to develop coordination mechanisms amongst the Government Departments and between the government department and other stakeholders.
- (c) Strategic Analysis (US\$0.2 million). Analytic studies will provide a scientific foundation for the National REDD Strategy and help fill the knowledge gaps about land use, the forestry sector, and the drivers of deforestation and forest degradation, as well as identify the magnitude of the potential impacts of REDD in the country. These studies will be communicated to key stakeholders through a consultation process in the next stage of the REDD preparation process. Core analytical studies include the assessment of the forest at the national level, the evaluation of the political economy of land use at the national level, assessing carbon emissions from drivers of deforestation and forest degradation.
- (d) Implementation Framework Development (US\$0.3 million). Studies under this subcomponent will address (i) Forest Carbon Ownership and Land Tenure; (ii) REDD Implementation; (iii) Financing Mechanisms; (iv) Stakeholder Engagement and Governance; (v) Institutional Arrangement for Data Management, Forest Monitoring and Emissions Reporting; (vi) Institutional and Governance Reform; and (vii) Work Plan and Budget.
- (e) Strategic Environmental and Social Assessment (US\$0.2 million). Studies leading to preparation of a social and environmental impact assessment of possible REDD arrangements and preparation of an Environmental and Social Management Framework.

Component 2. Reference Scenario Formulation (US\$ 1.4 million). This component will use existing and newly acquired data and modeling techniques to model historical emission due to deforestation and forest degradation and to predict future emissions levels against which reductions can be claimed and transactions conducted. This activity will include the creation of a biomass surface (from which forest carbon stocks can be derived) on the basis of the Land Resource Mapping Project (LRMP) data gathered in 1978. Through the data derived from the ongoing Forest Resources Assessment, a comparable current biomass surface based will be obtained.

Component 3. Monitoring, Reporting and Verification Systems Development (US\$ 1.8 million). This component will develop information sources and systems capable of supporting future emissions reductions claims and transactions. It will extend current and planned systems of timber and non-timber forest products surveys, inventories and data management systems to include carbon accounts. This will involve field surveys, studies, modeling and systems design work and will include acquisition of satellite-based information and data from new forest mapping system. Satellite-based forest mapping activities and the associated technical assistance supported by this project, will build the basic capacity, data structure and technical knowledge to support a future operational system to track forest cover change and its associated carbon emission in the country

Component 4. Program M&E and National Readiness Management (US\$ 1.2 million). This component will support the national REDD institutions including the REDD Multi-sectoral, Multi-stakeholder Coordinating and Monitoring Committee as the apex body; the REDD Working Group (RWG) at the operational level; and the REDD-Forestry and Climate Change Cell as the coordinating entity. It will provide technical and administrative support to the REDD Cell, including support for financial management, procurement and consultant selection, contract management and overall management and consolidation of work under the program.

5. Implementation Period

The project will be implemented over a three year period as indicated:

Component Costs By Year					
(US\$000)					
	2010	2011	2012	2013	Total
1. REDD Analysis and Policy Development					
1.1 Stakeholder Consultation and Participation	416	1088	544	30	2077
1.2 Land Use and Forest Policy Analysis	96	8	0	0	104
1.3 Strategic Analysis	40	55	66	0	160
1.4 Implementation Framework Development	2	34	16	159	210
1.5 Social and Environmental Impact Assessment	20	51	66	0	136
2. Reference Scenario Formulation	0	595	537	4	1136
3. Monitoring, Reporting and Verification Systems Development	0	177	747	565	1489
4. Program M&E and National Readiness Management	50	344	299	274	967
Total Base Costs	624	2352	2274	1032	6281
Physical Contingencies	0	353	341	155	849
Price Contingencies	0	81	159	110	350
Total Costs	624	2786	2774	1297	7480

6. Proposed FCPF Support and Other Financial Support

The proposed FCPF grant would support goods, consultant services and training up to a total of \$3.4 million. Additional support, totaling US\$3.7 million equivalent, for the program is expected from DFID, SDC, USAID, JICA, and Government of Finland under existing or planned bi-lateral project funding arrangements as indicated. Government of Nepal is expected to provide about US\$0.3 million for the program.

<i>Components by Financier</i> (US\$000)							
	GON	FCPF	DFID/SDC	Finland	JICA	USAID	Total
1. REDD Analysis and Policy Development							
1.1 Stakeholder Consultation and Participation	0	0	1302	0	0	1104	2406
1.2 Land Use and Forest Policy Analysis	0	10	96	0	0	0	106
1.3 Strategic Analysis	10	125	50	0	0	0	185
1.4 Implementation Framework Development	72	189	0	0	0	0	261
1.5 Social and Environmental Impact Assessment	0	140	20	0	0	0	160
2. Reference Scenario Formulation	0	1065	0	0	300	0	1365
3. Monitoring, Reporting and Verification Systems Development	140	911	0	780	0	0	1831
4. Program M&E and National Readiness Management	113	960	0	0	60	33	1166
Total	335	3400	1468	780	360	1137	7480
Percent	4%	45%	20%	10%	5%	15%	100%

Source: Calculated from data provided by REDD Cell

6. Benefits and Justification.

6.1. Direct Benefits. The proposed activities are intended to position Nepal to participate in, and benefit from any system of international payments for forest carbon-related environmental services that is likely to emerge in the coming decade. While the precise architecture and requirements of any future international system are unknown and are likely to emerge gradually on the basis of international negotiations and evolving commercial practices, it is anticipated that eligibility, or “readiness,” will require a minimum level of policy, institutional and technical systems development and performance. In addition, of course, benefit will require a basic level of forest sector performance that minimizes deforestation and forest degradation. The value and justification of the proposed program is therefore dependent on (i) the success of the specific program components (see Section C.); (ii) the value of emissions reductions in whatever market or other PES system that comes into effect; and, (iii) on the successful reform and development of the underlying forest sector.

The value of forest carbon emissions reductions cannot be projected with any confidence, but based on reasonable values and assuming that the readiness program

results in reasonable transactions costs, it is possible that there will be scope for substantial benefits to Nepal. Projects under the CDM and REDD pilot projects (i.e. smaller scale) under the Bank's BioCarbon Fund have demonstrated that REDD can provide a significant revenue stream for forest users, even given the carbon price (fluctuations) of recent years.

Several feasibility and prefeasibility studies suggest considerable scope for significant revenues, largely on the basis of restocking and regeneration of Middle Hills forests placed under community management.³ Beyond the uncertainties of the price or quantity estimates on which these projections are based, a critical assumption is that it will be possible to market emissions reductions claims associated with forest management practices that are to at least a substantial extent already considered profitable and desirable by involved communities without specific carbon benefit. There are also other equity, tenure, forest management and socio-ethnic issues, some of which will be examined in the course of the proposed work, that will affect the eventual valuation of benefits from REDD in the Middle Hills.

Prospects for controlling deforestation and forest degradation in the *Terai*, and thereby accruing significant REDD revenues, are more problematic. Substantial areas of the *Terai* are under formal protected area status, but remain under threat from encroachment. In the remainder of the *Terai*, the extension of community forest management is very much more limited, and there is ongoing debate on the management mechanisms and systems most appropriate to these generally more (commercially) valuable forests. A number of important policy and institutional distortions inhibit sustainable forest management in the *Terai*, and to a lesser extent forests in other areas. These include the role and influence of public enterprises, specifically the Timber Corporation of Nepal, in heightening pressure on forests; technical weaknesses in forest management planning and approaches; a low level of public confidence in forest institutions and governance; allegations of widespread corruption in the forest administration; and other issues.⁴ Work by other donors and an active network of civil society organizations concerned with the forestry sector provide some encouragement that improvement could be made to the sector environment for REDD.

6.2. Indirect Benefits. While many of the activities proposed under the FCPF grant are motivated by the international interest in REDD (and the associated payments) they also address necessary elements of sound management of forests and natural resources. Robust and transparent information on deforestation patterns and the associated drivers

³ See, Steven De Gryze and Leslie Durschinger with contributions Ann Koontz, Shiva Pandey and Bishma Subedi (2009) Payment for Ecosystem Services: Developing Forest Carbon Projects in Nepal A case study under the TRANSLINKS program, EnterpriseWorks/VITA, and ANSA. See also, Karky, B.S., Skutsch, M., The cost of carbon abatement through community forest management in Nepal Himalaya, Ecological Economics (2009). Samantha Staddon 2009 Carbon Financing and Community Forestry: A Review of the Questions, Challenges and the Case of Nepal Journal of Forest and Livelihood 8(1) February 25-32. Kamal Banskota, Bhaskar Singh Karky and Margaret Skutsch, Eds. (2007) Reducing Carbon Emissions through Community-managed Forests in the Himalaya. International Centre for Integrated Mountain Development, Kathmandu, Nepal. September.

⁴ A forest sector study is currently under preparation by the World Bank with support from the PROFOR and aims to address some of these issues.

informs national forest strategies and policies; up-to-date, detailed and well-organized data on forest resources and their economic value are prerequisites for forest management and decision-making both at the national and local level; and the associated information systems provide powerful tools for land-use and development planning. As such they indirectly contribute to good forest governance and transparency and if integrated well with the operational mandates Government departments and the management practices of forest users, the activities performed for REDD readiness have the potential to leverage strategic efforts and investments in the forest sector in the future.

B. ASSESSMENT SUMMARY

1. Technical

The R-PP has identified the key components and technical activities that are essential for Nepal to become REDD ready. This includes (i) the generation of historical reference scenarios (baselines) of forest cover change (i.e. historical rates of deforestation), (ii) country-wide mapping of forest biomass (carbon) at a level that is useful for forest management practices (e.g. at the district level), (iii) the quantitative analysis of the drivers of past and future forest cover change, and (iv) the development of internet-based services that provide transparent and up-to-date information on REDD-related activities (e.g. maps depicting trends in deforestation or forest areas under community management). These activities require highly technical work and analysis that combines cutting-edge satellite and air-borne remote sensing technology, state-of-the-art field sampling techniques involving geo-information software and laboratory equipment, and information service development using database and internet technology. It further requires capacity building for managing and reporting information on forest cover changes (and associated GHG emissions) using internationally established protocols and data modeling approaches.

While these core activities have been identified in the R-PP, the initial phase of the grant implementation will require a significant amount of work to define these activities in more detail, in particular the technical specifications under which the work has to be performed to meet internationally acceptable standards. Also, the technical work programmed for the preparation phase are closely linked with the activities under the Forest Resource Assessment (at DFRS) - such as the country-wide mapping of forest resources using satellite data, the design and implementation of field surveys, and the development of a forest information system – and it is critical that the preparatory work for REDD readiness is closely coordinated with the FRA activities to be able to harness synergies and avoid unnecessary duplication.

Further, close collaboration between the REDD Cell and the FRA team at DFRS as identified in the R-PP is essential to develop the technical specifications for the work under the two initiatives. This includes regular participation in FRA meetings, training events, and field work. This is particularly important during initial phase before consultants hired under the FCPF grant can initiate their work. Similarly the collaboration with the Survey Department of the Ministry of Land Reform and Management provides scope to anchor the REDD-related technical activities more broadly in government technical agencies.

2. Safeguard Policies

As described above, the proposed grant will finance a number of studies to support the REDD systems development, preparation of the national REDD strategy and implementation framework, and an emissions monitoring and reporting system. The grant activities would have no direct social environment impacts, thus not triggering any of the World Bank safeguard policies. One of the activities to be financed is the development of an Environmental and Social Management Framework to address environmental and social impacts associated with the future implementation of the National REDD Strategy, now under development.

2.1. Safeguard Policies That Might Apply to the Proposed FCPF-Financed Readiness Activities

Safeguard Policies Triggered (<i>please explain why</i>)	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)	X		
Involuntary Resettlement (OP/BP 4.12)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

3. Safeguards Capacity

Nepal has its own policy framework to address social environmental impacts in the development process. The responsibility for enforcing these policies lies with various institutions at different levels of the government. Generally, the capacity with these agencies is weak and has been gradually improving with continuous assistance with from international agencies. The REDD Cell itself is in the process of mobilization.

Considerations will be given to the staffing and expertise needs for the implementation of the Environmental and Social Management Frameworks. Principles as outlined in the Bank's safeguard policies, particularly relating to indigenous communities, will be followed in the execution of the studies under the Grant. A Consultation and Participation Plan has been developed to continue the consultation efforts for the grant activities.

4. Consultations and Participation

The preparation of the R-PP has followed a rigorous process of consultation and participation. The stakeholders consulted included both the public and private sectors, NGOs, indigenous communities and civil society organizations that are interested in the forest sector and representing various indigenous communities. The consultations are well documented, including locations, stakeholders, proceedings and feedback⁵. These have contributed to the development of the R-PP. A Consultation and Participation Plan has been developed to continue the consultation effort in the execution of the studies.

Government has established a three-tiered institutional mechanism for implementing REDD, consisting of the REDD Multi-sectoral, Multi-stakeholder Coordinating and Monitoring Committee as the apex body; the REDD Working Group at the operational level (RWG); and the REDD-Forestry and Climate Change Cell as the coordinating entity. All three bodies have been working together to prepare the REDD National Strategy and implementation plan. In addition, a Stakeholder Forum has been established to engage wide range of stakeholders in the entire REDD process. The forum includes representatives from the private sector, civil society, media, government organizations, community-based organizations, local and international NGOs, donors, academia, research organizations. Since the state is under a restructuring process, these institutional arrangements will be adjusted in line with the new constitution.

5. Implementation Arrangements

The proposed project will be implemented under the overall supervision of the inter-ministerial Apex Body for REDD chaired by the Minister, MoFSC. Membership in the Apex Body includes representatives of the National Planning Commission, the Ministry of Finance, Ministry of Environment, Ministry of Tourism and Civil Aviation, Ministry of Energy, Ministry of Agriculture and Cooperative, Ministry of Land Reform and Management, Ministry of Industry, Ministry of Local Development, the Ministry of Physical Planning and Works, and the Ministry of Science and Technology. The main role of the Apex Body is multi-sectoral coordination and cooperation for the planning and implementation of REDD activities at the highest level. It endorses plans related to REDD and forestry and climate change, in addition, it provides advice, oversees and monitors the planning process and the implementation of activities on REDD.

The REDD-Forestry and Climate Change Cell, under the MoFSC, has been the implementing agency for the ongoing Grant and will continue in this capacity for the extension phase. The REDD Cell is comprised of three sections:

⁵ See RPP Annex 1b-1

- (a) The Policy and Program Development Section is responsible for developing REDD-related forestry policies and monitoring their implementation. This section will design programs related to REDD and monitor the results including the development of capacity-building programs and activities. This section also provides technical support to the MoFSC on the negotiation process, carbon markets, and other forestry and climate change related issues.
- (b) The Monitoring, Reporting and Verification Section is responsible for the technical aspects of the REDD program working in cooperation with other MOFSC units and other government and nongovernmental entities. Once the REDD process moves forward, this section will be responsible for establishing and implementing the deforestation and forest degradation reference scenario, the monitoring and verification system and carbon accounting system.
- (c) The Communication and Outreach Section is responsible in designing and disseminating REDD information, including REDD-related pilot projects outcomes. This section designs and implements extension and capacity-building activities for different stakeholders, including the government, civil society, and private sector. In addition, it will provide feedback to the REDD Cell and various stakeholders, to ensure that their concerns are properly addressed during the REDD implementation process.

The Administration and Finance Unit is responsible for management of the budget and logistics of the REDD Cell. To support procurement and financial management a full time procurement specialist and a finance officer will be deputed or recruited for the readiness period. Technical advisors include national and international experts on REDD-related issues, who are invited to support the Cell as needed. The REDD Cell also has responsibilities for coordinating in-kind inputs from the various co-financiers.

A REDD Working Group (RWG) under the leadership of the Secretary, MoFSC ensures the institutional representation of different forestry stakeholders to the REDD planning process. Currently, the RWG includes nine members representing government, indigenous peoples groups, community forest user groups, private sector, and development partners. During the first phase of the program, the main responsibilities of the RWG has been technical and institutional support, advice to the REDD Cell on the preparation of the R-PP and also provision of financial and institutional support. In the next phase, the RWG will be expanded to include one public-sector representative from each of the key REDD-related sectors, including environment, agriculture, energy, and local development; two representatives from the forestry sector; two representatives from civil society; and one representative from the donor community and an individual expert.

6. Procurement

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits dated May 2004 revised October, 2006 and May 2010" and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers-dated May 2004, revised August, 2006 and May 2010" and the provisions stipulated in the Financing Agreement. For each contract to be financed by the Grant, the procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and timeframe are agreed between the Borrower and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Consultants' services will be procured under contracts awarded on the basis of Quality-and Cost-based Selection (QCBS). The following methods may be used for the procurement of consultants' services subject to World Bank concurrence: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection; (f) Established Private or Commercial Practices which have been found acceptable to the World Bank; (g) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (h) Selection of Individual Consultants; and (i) Sole Source Procedures for the Selection of Individual Consultants.

6.1 Procurement Capacity. A procurement capacity assessment was carried out concluding that although the REDD Cell has gained some experience during implementation of the first phase, its procurement and consultant selection capacity remains limited. The procurement Risk Assessment noted that procedures did not adequately follow Government's procedure or those of World Bank. For example, RFPs and contract documents adopted were found not covering all the provisions as required by the standard documents, evaluation reports did not contain detailed information as required. There are no designated procurement staff and those who are involved in procurement are neither trained nor have adequate experience. Out of three positions of Under Secretaries (Section Chiefs), two positions are vacant. Taking note of the quality of output obtained from consultants that were retained and recognizing the REDD Cell's staff enthusiasm for improvement and learning appropriate procurement procedures the assessment output procurement risk has been rated as "Substantial" on the risk rating scale. A Procurement Risk Mitigation Measure Action Plan was prepared and discussed with the REDD Cell and will be implemented through the implementation of the next phase of grant implementation (see Annex 5).

6.2 Procurement Supervision. In addition to regular monitoring and support, procurement supervision missions will take place at least twice a year including procurement supervisions for post-review. Consultant contracts with firms with an estimated cost to exceed US\$30,000 and contracts with individuals above US\$5,000 shall be subject to World Bank Prior Review. The Bank will review all consultant terms of reference, shortlists, and requests for expressions of interest, and all contracts shall be subject to post review

6.3 Summary Procurement Plan. Projected procurement is summarized below. A detailed procurement Plan has been prepared covering the first 18 months of the project and is presented in Annex 6. Annual procurement plans will be prepared a part of annual work planning.

<i>Project Costs by Component and Procurement Method</i>						
(US\$ 000)						
Category	Total Project	NBF	Goods	Consultant Services and Training (Firms)	Consultant Services and Training (Individuals)	Total FCPF Grant
Method			Shopping	QCBS		
1. REDD Analysis and Policy Development						
1.1 Stakeholder Consultation and Participation	2406	2406				0
1.2 Land Use and Forest Policy Analysis	106	96	10			10
1.3 Strategic Analysis	185	60		125	0	125
1.4 Implementation Framework Development	261	72		189	0	189
1.5 Social and Environmental Impact Assessment	160	20		140	0	140
2. Reference Scenario Formulation	1365	300		1065	0	1065
3. Monitoring, Reporting and Verification Systems Development	1831	920		911	0	911
4. Program M&E and National Readiness Management	1166	206	100	310	550	960
Total	7480	4079	110	2740	550	3400
Percent of Project	100%	55%				45%
Percent of FCPF Grant			3.2%	80.6%	16.2%	100.0%

7. Financial Management

The financial management in the ongoing operation is aligned with the government's financial management system. Lessons on Financial Management learned during the implementation of the ongoing program, will be applied to the proposed scaling up with an overall objective to ensure that financial management arrangements in the Project are robust with assurance for adequate monitoring for funds used. As the amount of current grant is small and the financial transactions are limited to a few contracts, the volume of transactions is at a reasonable size. Hence, the project team is supported by one deputed staff from the MoFSC working part time for the project. The

financial transactions were handled reasonably well. The Bank has been providing support in capacity building of the project team by organizing training and briefing sessions from time to time. All required ledgers and records were found to be maintained. In terms of meeting the financial covenant of the ongoing operation, the Project has not yet submitted the trimester progress report that included financial monitoring report during FY2009/10. This has been reminded, and is expected to be received soon. The first audit report required under the ongoing program is for FY2009/10 which is due on January 15, 2011.

7.1 Financial Management Capacity. A financial management capacity assessment was carried out. In view of the current plan of scaling up, the existing level of effort is not adequate. A full time finance officer needs to be deputed supported by an accountant as the volume of transactions is expected to grow. Further, there is a need to establish a financial management information system to be able to produce a financial monitoring report on a trimester basis. The current finance staff working part time has been working for almost four years and there is a high risk of him being transferred soon. The Project needs to ensure that staffing of appropriate skills are in place prior to the approval of scaling up of existing assistance. Other vacancies of key positions in the Project should also be filled in prior to the scaling up. The outstanding trimester reports which are required under a legal covenant must be submitted no later than December 2010. Submission of audit report due on January 15, 2011 is also a requirement for scaling up the program. In view of the inadequate capacity and need for developing a good financial management information system, the FM risk is “Substantial”.

7.2 Financial Management Supervision. Project implementation progress will be closely monitored by MoFSC and IDA. IDA will supervise project implementation for the purposes of supervision on fiduciary aspects of both procurement and financial management. Overall financial management improvement program will also be monitored. IDA will provide training and guidance to project staff on a regular basis. The Project will report on project implementation progress through a trimester report, the IPR. The agreed action plan will be closely monitored to ensure appropriate actions are being implemented. Key FM fiduciary work includes: (i) reviews of implementation progress reports and audit reports and preparing summaries of such reports; and (ii) participating in supervision missions and keeping the team informed of FM issues or improvements.

8. Disbursement

8.1 Allocation of grant proceeds. Disbursement under the proposed additional funding will be made as specified in Table C, which indicates the amounts and percentages of financing for different categories of project expenditures. The total project cost for additional funding is estimated at USD 3.4 million.

Table C: Allocation of Grant Proceeds

Expenditure Category	Amount in USD From Trust Fund	Financing Percentage
1. Consultants' Services, Goods, Training and Workshops and Incremental Operating Costs	3,400,000	100%

8.2 Disbursement Arrangements. Disbursements from the Trust Fund will remain unchanged, that is, disbursements will be made in accordance with statement of expenditure or traditional disbursement procedures, including full documentation for contracts above the Prior Review threshold or Statement of Expenditures. To facilitate disbursements, the current Designated Account in US Dollars will be used and will be supplemented by additional funds. For major payments related to procurement of goods and services, the Project will use the special designated accounts for direct payments. For small payments, including for training and operating costs, GON will pre-fund the activities; disbursements from IDA will be made via replenishment of the Designated Account.

8.3 Use of Statement of Expenditures (SOEs) SOEs will be used for the following expenditures: (i) all training and workshop; (ii) all incremental operating costs; (iii) contracts for goods costing less than USD 100,000 equivalent per contract; (iv) contracts for services of consulting firms costing less than USD 50,000 equivalent per contract; and (v) contracts for services of individual consultants costing less than USD 25,000 equivalent per contract. IDA team will closely review the SOE claims to ensure that funds are utilized for the intended purposes. Any ineligible expenditure identified during this and subsequent reviews will need to be refunded to IDA.

8.4 Designated Accounts. A Designated Account in US Dollars currently established in the Nepal Rastra Bank will be used. The authorized allocations for the Designated Account under the Grant will be increased from USD 50,000 to USD 500,000. The Designated Accounts will continue to be managed under the joint signatures of the Project Coordinator and the Accounts Officer.

The Project will ensure that bank/cash books are reconciled with bank statements every month. The Project will separately submit replenishment applications for the Designated Accounts on a monthly basis, or when 25 percent of the authorized allocation has been used, whichever occurs first. Replenishment applications will be accompanied by reconciled statements from the bank in which the account is maintained, showing all Designated Account transactions. Supporting documentation will be maintained by the respective cost centers for at least one fiscal year after the year in which the last disbursement from the grant took place, and will be available for review by IDA staff and independent auditors.

9. Main Conditions

In addition to standard Grant provisions, the following special conditions will be incorporated into the Supplemental Grant Agreement.

- (a) **Conditions of Signing.** Submission of overdue trimester progress report to included financial monitoring report for ongoing grant.
- (b) **Dated Covenants**
- (c) **Mid Term Review.** Prior to September 2012, the Recipient shall carry out a review of implementation of the program on the basis of terms of reference satisfactory to the Bank, and following consultations with the Bank and the FCPF Participants Committee thereon, implement the remainder of the program in line with recommendations of the review in a manner and substance satisfactory to the Bank.
- (d) **Environmental and Social Management Framework.** In carrying out Part 1.5 of the Project, the Recipient shall, not later than September 2012, conduct a Social and Environmental Strategic Assessment ("SESA") under terms of reference satisfactory to the Association; and based on SESA, prepare an Environmental and Social Management Framework acceptable to the Association, to guide development of subsequent REDD projects and programming.
- (e) **REDD Cell and REDD Working Group.** For the duration of the program, the Recipient shall maintain in the Ministry of Forestry and Soil Conservation, a REDD Cell, with staff and resources in numbers and qualifications sufficient for the management of the program. The Recipient shall also maintain arrangements whereby advisory services to the REDD Cell and the REDD program can be provided on a voluntary basis by the REDD Working Group.

Recipient shall fill the 2 vacant positions of Under Secretary in REDD Cell prior to April 30, 2011.

Annex I
Preparation Schedule and Resource Estimate

Preparation Schedule			
	Dates		
Milestone	Basic	Forecast	Actual
AIS Release	2/27/2009	-	6/22/2009
Concept Review	7/2/2008	-	6/17/2008
Readiness Preparation GFR approved	4/30/2009	-	8/26/2009
Readiness Preparation Grant signed	-	-	8/26/2009
Sector Unit Estimate of Resources Required from Preparation through Approval			
Source of Funds	Identification and Preparation Expenses to Date (US\$)	Estimate of Resource Requirements (US\$)	
		Fixed	Variable
Bank Budget	-	-	-
Trust Funds	80,884.50	-	-

Team Composition				
<i>Name</i>	<i>Title</i>	<i>**Role</i>	<i>Unit</i>	<i>UPI</i>
William B. Magrath	Lead Natural Resource Economist	Task Team Leader	SASDA	11824
Alexander Lotsch	Senior Carbon Finance Specialist	REDD Specialist	ENVCF	258344
Kiran R. Baral	Senior Procurement Officer	Procurement	SARPS	182335
Shambhu Prasad Uprety	Procurement Specialist	Procurement	SARPS	359093
Bigyan B. Pradhan	Senior Financial Management Specialist	Financial Management	SARFM	20092
Drona Raj Ghimire	Environmental Specialist	Environmental Safeguards	SASDI	251759
Chaohua Zhang	Senior Social Sector Specialist	Social Safeguards	SASDS	86742
Ashish Shrestha	Consultant	Operations	SASDA	328552
Werner L. Kornxl	Senior Technical Specialist	Peer Reviewer	ENVCF	190769
Ulrich Schmitt	Senior Natural Resources Econ.	Peer Reviewer	EASCS	229415
Mei Wang	Senior Counsel	Lawyer	LEGES	229123
Seble Berhanu	Paralegal	Paralegal	LEGES	202916
Ryma Pitts	Program Assistant	Administrative-DC	SASDO	183253
Tara Shrestha	Program Assistant	Administrative-Nepal	SASDO	149328

Annex II
R-PP Submitted by the REDD Country Participant
(separate document)

Annex III
Draft Grant Agreement for REDD+ Readiness Preparation
(if available)

Annex IV
Procurement Risk Mitigation Measure Action Plan

Nepal – FCPF Nepal Grant - (P116001)

29-Sep-2010

Agency: Department of Forest (REDD Cell)

**Risk
Factor
1**

Description: Accountability for Procurement Decisions in the Implementing Agency or Agencies							
Rating: ● Substantial							
Risks							
1. Insufficient checks and balances because procurement decision makers not empowered							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Ensure the procurement decision making is fully covered in the Manual of the Agency and is available/known to staff	1-Oct-2010	Recommended	30-Nov-2010		Borrower		REDD Cell has to prepare a check list of procurement process including clearly defined procurement steps, responsible staff for each step, alternative staff in absence of the primary responsible staff, average time required to complete each step.

Risk Factor 2

Description: Internal Manuals and Clarity of the Procurement Process							
Rating: ● High							
Risks							
<ol style="list-style-type: none"> 1. Staff have no practical guidance on the steps of the procurement process and do it wrongly 2. Inability of agency staff on actual application of procurement process correctly and consistently 							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Increased supervision effort of steps in procurement process	1-Oct-2010	Recommended	30-Sep-2011		Bank		Procurement staff of the Bank has to make regular supervision of procurement actions being done by the REDD Cell and provide procurement guidance as and when needed.

Risk Factor 3

Description: Record Keeping & Document Management Systems							
Rating: ● Low							
Risks							
<ol style="list-style-type: none"> 1. Difficult to audit, review, resolve disputes 							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments

1. Clearly describe what records should be kept in the contract file, preferably in POM/PIM, and for how long	1-Oct-2010	Recommended	30-Nov-2010		Borrower		REDD Cell has to assign recordkeeping job to appropriate section or staff based on the check list of procurement documents provided by the Bank.
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Risk Factor 4

Description: Staffing							
Rating: ● High							
Risks							
<ol style="list-style-type: none"> 1. Improper implementation of procurement activities under the project (in terms of efficiency, competition, transparency) 2. Implementation delays and poor quality of contract deliverables 							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Agree on a plan to acquire the necessary procurement expertise (e.g. through hiring, outsourcing etc)	1-Oct-2010	Recommended	30-Nov-2010		Borrower		REDD Cell has to prepare a plan to out source a procurement expert and to fill the 2 vacant positions of Under Secretaries.
2. Fill the 2 vacant positions of Under Secretary in REDD Cell	1-Oct-2010	Recommended	30-Apr-2011		Borrower		Now, out of 3 Under Secretaries, 2 positions are vacant.
3. Agree on a training program (internal/external) to be implemented over the life of the project that is both relevant and practical	1-Oct-2010	Recommended	31-Jan-2011		Borrower		REDD Cell has to prepare a training program in consultation with the Bank

**Risk
Factor
5**

Description: Procurement Planning							
Rating: ● High							
Risks							
<ol style="list-style-type: none"> 1. Less competition due to improper slicing and packaging and procurement method 2. Delay to project processing and implementation due to lack of proper planning 							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Arrange for appropriate support (staff, training, tools) to prepare the project procurement plan such that there is a clear relation between project objectives and the procurement plan	1-Oct-2010	Recommended	31-Jan-2011		Borrower		REDD Cell has to outsource a procurement expert/consultant to assist it in all procurement related matters including preparing procurement plan.
2. Repackage contracts in commercial groups of goods/works/services to ensure competition in line with market of procured items	1-Oct-2010	Recommended	31-Jan-2011		Borrower		REDD Cell has to start preparation of procurement plan with appropriate slicing and packaging in consultation with WB procurement staff.
3. Require periodic reviews to identify/remove the cause of the variances between planned and actual and agree on recommendation to avoid occurrence into the procurement and delivery schedule - intensify supervision	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell and the Bank have to do periodic reviews of the implementation of procurement plan and apply improvement measures.

Risk Factor 6

Description: Bidding documents,(pre-)qualification, shortlisting, and evaluation criteria							
Rating: ● High							
Risks							
<ol style="list-style-type: none"> 1. Unbalanced competition due to unbalanced shortlists and highly qualified bidders are excluded from bidding 2. EOI was invited from un-matching service providers and short lists were comprised of registered consulting firms, NGOs, professional organizations, etc. 							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Ensure all firms on shortlist are qualified and consist of firms that form a level playing field	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell has to prepare RFPS and Bidding Documents either based on WB or GoN procurement rules in consultation with the Bank and use them in procuring required activities, mainly services and to some extent goods.

Risk Factor 7

Description: Advertisement, Pre-bid/proposal Conference and Bid/Proposal Submission							
Rating: ● Moderate							
Risks							
<ol style="list-style-type: none"> 1. No equal access by eligible bidders to process resulting in reduced competition 2. Potential Collusion or unattractive packaging 							
Mitigation Measures							

Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Stop inviting un-matching agencies (i.e. mix up of Consulting firms, NGOs, Professional Organizations, etc) to apply for the job. Develop a practice of conducting pre-proposal/ bid conferences.	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell has to initiate good procurement practice in consultation with the Bank.

Risk Factor 8

Description: Evaluation and Award of contract							
Rating: ● High							
Risks							
1. Inadequate criteria and potential for manipulation of bid evaluation							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Agree on selection criteria for members of the evaluation committee, including technical expertise and review EC formation regularly	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell has to prepare appropriate selection criteria/ scoring criteria in consultation with the Bank and apply them in evaluation and use standard evaluation formats.
2. Develop standard template for evaluation report for project/agency and ensure compliance	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell has to take Bank's support as and when needed.

Risk Factor 9

Description: Review of Procurement Decisions and Resolution of Complaints							
Rating: ● Low							
Risks							
N/A							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
N/A							

Risk Factor 10

Description: Contract Management and Administration							
Rating: ● Moderate							
Risks							
1. Delay in payment due to lack of budget may discourage bidders/ consultants to participate in future bidding and bidders may quote higher prices to cope with delayed payment.							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. Review and agree on actions to regularize or increase cash flow as needed by project or reschedule procurement to meet cash flow or increase Bank financing percentage	1-Oct-2010	Recommended	30-Sep-2011		Borrower		REDD Cell has to make annual budget and the procurement plan compatible to ensure timely payment.

**Risk
Factor
11**

Description: Procurement Oversight							
Rating: ● Low							
Risks							
1. Possibility of the Bank having to exercise its right to suspend disbursements							
Mitigation Measures							
Description	Assigned Date	Status	Planned Due Date	Actual Completion Date	Responsible Entity	Assignee	Comments
1. REDD Cell has to take initiation to establish a mechanism (involving procurement trained/ experienced personnel) at the level of line ministry.	1-Oct-2010	Recommended	31-Jan-2011		Borrower		REDD Cell may take Bank's support in this regard.

Annex VI

ToR for Strategic Social and Environmental Impact Study

The REDD strategic options work proposed in the R-PP aims to contribute to reducing GHGs emissions and poverty reduction, and to enhancing economic growth through the sustainable and equitable management of forests while increasing forest carbon stocks. Implementation of these options will involve indigenous peoples and local communities, women and *Dalits* as much as possible. Nevertheless, in spite of the positive results expected with regard to the fight against climate change, the launch of a new program could have negative impacts on the environment and on indigenous peoples and local communities. It is therefore necessary to conduct a SESA in order to assess the positive and negative impacts that could be generated in the implementation of REDD strategic options. SESA must therefore adopt a participative process that informs the finalization of strategic options and occurs before the implementation of REDD. This process should focus on the implications for the most vulnerable groups, particularly the forest-dependent people, and indigenous people, and other poor or marginalized groups.

Nepal has an environmental protection act, as well as rules, regulations and guidelines for conducting detailed environmental impact assessments and initial environmental examinations. The FCPF is one of the principal funders of the REDD readiness globally. SESA should comply with the World Bank's safeguard policies and should also consider the principles deriving from existing rules and regulations of Nepal, including international agreements ratified by the government, as well as international practices and protocols protecting the rights of citizens, particularly with regard to impacts on their environment, traditional rights and access to natural resources.

Objectives

The overall objective of the SESA is to identify opportunities to:

- (a) Enable an understanding of the operating environment for REDD programs, including stakeholder analysis, social environmental dimensions of the forestry sector in Nepal
- (b) Screen and assess possible social impacts and issues related to REDD programs in Nepal
- (c) Develop an engagement approach to address these impacts
- (d) As appropriate propose methods to mitigate environmental and socioeconomic risks during REDD implementation, and
- (e) Provide additional improvements in development activities and the environment through REDD and associated measures adopted to combat climate change.

Major Tasks

Task 1: Stakeholder Analysis.

The consultant shall review and update the list of stakeholders identified during RPP development that are directly linked with the social and environmental impacts of the REDD readiness and implementation process and prepare an analysis of the interests, positions and views of various stakeholders in the forests sector, particularly surrounding REDD programs

Task 2: Description of the Initial Social and Environmental Situation of the Forestry Sector in Nepal.

This task consists of collecting, analyzing and presenting basic data relating to the current environmental and social situation of the forestry sector in Nepal.

- (a) A mapping of the indigenous communities in or accessing forest resources, a continuation of the stakeholder analysis
- (b) A review and analysis of their relationship to the forest resources from ethnic, historical, cultural and economic perspectives, and analyze their attachments, different access to and use of forest resources, including community forestry, and formal or informal institutions as well as internal mechanisms regarding the use of forest;
- (c) A summary of their views, concerns and recommendations for REDD program.

Task 3: Policy Review and Analysis (Legislative, Regulatory, Local and International)

- (a) A review of relevant government policies and regulations regarding forest resources use, vs the traditional use and usufruct rights to forest resources;
- (b) An analysis of ILO 169 on indigenous and tribal population, its understanding by various stakeholders and its implications for REDD programs

Task 4: Analysis of the Possible Impacts of the ‘No REDD Process’ Scenario

The consultant shall identify and quantify to the extent possible the social and environmental impacts, both positive and negative, of not implementing a REDD mechanism. This will help to provide a socioeconomic and environmental ‘baseline’ for REDD implementation.

Task 5: Analysis of the Possible Impacts of Different REDD Strategy Option Scenarios

The Consultants will analyze the social and environmental impacts of each strategic option. This will help the implementing agency to move the program in the right direction for poverty reduction, environmental protection, socioeconomic development and the protection of traditional rights.

Task 6: Analysis of Impacts of Different REDD Alternatives

The consultant will identify the impacts, both positive and negative, likely to be observed as a consequence of the implementation of the alternatives for the REDD process. The CONSULTANT will make a distinction between the direct, indirect, cumulative, immediate and future impacts in a quantitative manner, to the extent possible.

Task 7: Verification of Compliance with World Bank Policies

Based on the analyses and recommendations above, the consultant will verify that the REDD process is compliant with the World Bank’s Safeguard Policies, in particular: (i) OP 4.01 on ‘Environmental Evaluation’; (ii) OP 4.04 on the Natural Habitats; (iii) OP 4.10 on Indigenous Populations; (iv) OP 4.11 relating to Physical Cultural Resources; (v) OP 4.12 on Involuntary Resettlement; and (vi) OP 4.36 on the Forests.

Moreover, it is important that SESA confirms the following as major REDD objectives: (i) regulating forest sector activities and promote the fight against deforestation and forest degradation; and (ii) Protecting and promoting the rights and opportunities of indigenous people and local communities from the start.

Task 8: Development of an Environmental and Social Management Framework (ESMF)

This task should be to develop an Environmental and Social Management Framework (ESMF) to guide preparation of future REDD program activities to address associated social environmental impacts (not a plan) on the basis of the assessment above.

The consultant must specific proposals aimed at strengthening the positive impacts of the REDD process on: the quality of the environment, social, cultural and economic well being of the population, particularly that of those groups most dependent on forests, ecosystems and biodiversity; the respect for traditional modes of using natural resources; and the community consultation and participation process. In particular, the ESMP must deal with the issues indicated below:

- (a) The consultant will recommend strategies and procedures to be implemented throughout the REDD process in view of adopting environmental and social preventative measures, and management and monitoring measures, in order to mitigate the negative impacts that could occur during the REDD process. To this end, the consultant will recommend a simple screening methodology to monitor the activities recommended each year in the annual work plans from a social and environmental viewpoint, in order to remove or reduce risks and negative impacts. The consultant will also recommend a simple monitoring and evaluation system for the social and environmental impacts of the REDD process, with monitoring indicators and a corresponding evaluation procedures and methodology. Finally, the consultant will recommend a public consultation mechanism for the monitoring and evaluation of the REDD process. The consultant will make concrete recommendations to increase public understanding of forest management, and increase the involvement of local communities—particularly indigenous groups, women, *Dalits*, NGOs and other civil society institutions, and the private sector—in the implementation and monitoring of the REDD process.
- (b) The consultant will recommend national capacity building measures to ensure that the ESMP is effectively implemented. The consultant will recommend public and/or civil society institutions likely to conduct this capacity-building work and define the necessary budget. This capacity building process could include institutional adjustments or procedures, recruitments or new assignments and training for national, local and regional institutional leaders and civil society organizations.
- (c) Estimated costs of the ESMP shall be evaluated for each measure recommended above. If there is no specific estimate, a methodology for estimating costs will be suggested. This estimate includes the needs for institutional improvement and training to apply the said safeguard measures. The consultant will present the ESMP in the form of measures incorporated directly into the REDD process activities (e.g., methodological improvements, supplements to recommended activities) so that it does not constitute a duplication of the REDD process.

- (d) The ESMP will also receive support from the Cultural Heritage Management Framework, which must be implemented to ensure that the programs and activities do not harm the physical or moral cultural heritage, or traditional practices and customs.
- For the social part
 - a) Introduction – program background, and the need for ESMF
 - b) Policy framework – government, WB and relevant international guidelines ratified by the government
 - c) Objectives and principles – capturing also those stated in the above
 - d) Potential impacts and mitigation approach – a generic description of major impacts possible and approach
 - e) Planning, review and approval process for mitigation measures – describe the planning steps including major planning activities, such as social assessment, baseline survey, and review/approval procedures (who, when and how etc., essentially how this ESMF will be used)
 - f) Implementation arrangements –costing, scheduling etc.
 - g) Consultation and participation – the Consultation and Participation Plan proposed for the next immediate three years need to be updated to guide consultation in the REDD programming process.
 - h) Mechanisms for grievance redress and dispute resolution – institutions, procedures, responsibilities and timeframe etc.
 - i) Institutional setups and responsibilities
 - j) Monitoring and evaluation

Task 9: Documentation of the Analysis, Surveys and Public Consultation Results

The final report will be concise and focused on the diagnostics, conclusions and recommended actions, with figures and synthesis tables. It will be complemented by annexes and a separate volume containing all supporting data, supplementary analyses, consultation reports and summaries, and lists of participants in specific activities.