

**Updated Progress Report
And
Request for Additional Funding from the FCPF Readiness Fund**

Submitted to

**The World Bank
Forest Carbon Partnership Facility (FCPF)
Washington DC**

Submitted by



**REDD Implementation Center
Ministry of Forests and Soil Conservation
Government of Nepal**

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List of acronyms

ACOFUN	Association of Collaborative Forest Users, Nepal
CBFM	Community Based Forest Management
CSOs	Civil Society Organizations
DANAR	<i>Dalit</i> Alliance for Natural Resources, Nepal
DFID	Department for International Development
DFOs	District Forest Offices
DFRS	Department of Forest Research and Survey
DFSCC	District Forestry Sector Coordination Committee
DNPWC	Department of National Parks and Wildlife Conservation
DoF	Department of Forests
DRPMU	District REDD+ Program Management Unit
DRWG	District REDD+ Working Group
ERPA	Emission Reductions Payment Agreement
ERPD	Emission Reductions Program Document
ER-PIN	Emission Reduction Program Idea Note
FCPF	Forest Carbon Partnership Facility
FECOFUN	Federation of Community Forestry Users, Nepal
FRA	Forest Resource Assessment
FREL/FRL	Forest Reference Emission Level/Forest Reference Level
GoN	Government of Nepal
GRM	Grievances and Feedback Redress mechanism
IPCC	Intergovernmental Panel on Climate Change
IPOs	Indigenous People Organizations
MoFSC	Ministry of Forests and Soil Conservation
MRV	Monitoring, Reporting and Verification
MSFP	Multi Stakeholder Forestry Program
MTR	Mid-Term Report
NEFIN	Nepal Federation of Indigenous Nationalities
NFIS	National Forest Information system
REDD	Reducing Emissions from Deforestation and Forest degradation
REDD IC	REDD Implementation Centre
RL	Reference Level
R-PP	Readiness Preparation Proposal
RWG	REDD Working Group
SDC	Swiss Agency for Development and Cooperation
SESA	Strategic Environmental and Social Assessment
SMF	Sustainable Management of Forest
TAL	Terai Arc Landscape
UNFCCC	United Nations Framework Convention for Climate Change
WWF	World Wildlife Fund

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1. Introduction

Nepal has been implementing REDD+ readiness activities under the readiness grant from the Forest Carbon Partnership Facility (FCPF) since 2010. Readiness Preparation Proposal (R-PP) submitted by the Government of Nepal was approved by the Participants Committee meeting of the FCPF subject to minor clarifications in June 2010. US\$ 3.4 million was then granted through the World Bank for implementation of the readiness activities in three years, 2011 – 2013. Progress on implementation of readiness plan was slow in the first two years. This was due to the fact that Nepal had just emerged from a long political crisis and was passing through the transitional phase. During this post-conflict period, implementation of development programs especially those related to a new and complex mechanism of REDD+ was not easy as The World Bank's interim report suggested (Report No. 38119- NEP).

Nepal made good progress on implementation of the R-PP since 2013 and Mid Term Report (MTR) was submitted in October 2013. Most of the readiness activities could not be completed by the end of 2013. Hence, Nepal requested for an extension of the readiness grant for additional 18 months, until June 2015, which was approved by the World Bank.

In June 2013, the Government of Nepal decided to develop a sub-national Emission Reduction (ER) Program in the 12 districts of the Terai Arc Landscape (TAL). Since then, implementation of the readiness activities and development of the Emission Reduction Program Idea Notes (ER-PIN) went together until March 2014 when the ER-PIN was submitted to the FCPF Carbon Fund for approval.

Nepal's ER-PIN was selected into the pipeline by the Carbon Fund Participants in Brussels in April 2014, with high appreciation for its quality and vision. Letter of Intent has been signed between the World Bank and the Government of Nepal. Nepal is now developing the Emission Reduction Program Document (ER-PD) for the proposed ER Program area, which is expected to be completed in March 2016 for submission to the FCPF Participant Committee meeting for endorsement.

Nepal was in the course of completing most of the readiness activities by June 30, 2015, the extended deadline of the readiness grant. The devastating earthquakes of April 25 and May 12, 2015, however, disrupted the critical last phase of the process and another two months were allowed to complete the first phase of the readiness grant. Implementation of the readiness activities proposed in the R-PP have been completed and most of US\$ 3.4 million readiness grant has been spent by August 2015.

Most implemented readiness activities will require few more steps, hence additional funding, for improvement and completion for a smooth implementation of the REDD+ activities in future. The activities include, refinement of the national Reference Level incorporating new Forest Recourse Assessment data, development of national and regional MRV system with National Forest Information system (NFIS), establishment of the Safeguard Information System, preparing foundation for the sustainable management of Terai forests, especially in the 12 districts of the proposed ER-Program area. Similarly, capacity building of all stakeholders is on-going and needs additional time and funding to reach the community

level. Moreover, making conducive environment for active involvement of the private sector in forest management is critical for the successful implementation of the REDD+ process in Nepal for which additional funding is needed.

REDD Implementation Centre (REDD IC) has therefore prepared this updated progress report (on the implementation of the R-PP) and also identified some activities that need to be implemented to make Nepal fully ready for implementation of REDD+. REDD IC, therefore, on behalf of the Government of Nepal requests FCPF Participant Committee members for approval of an additional readiness fund of US\$ 5 million to implement readiness activities proposed in sections 7 and 8 below.

This updated progress report and request for additional funding has been prepared in consultation with multiple stakeholders, including IP, CSOs and government officials. The activities included in this proposal were identified after consultation with REDD multi stakeholder forums and discussion with different departments under the ministry of forests and Soil conservation. It was discussed again with the stakeholders, including CSOs and IPOs, and proposed activities and budget were revised incorporating their comment. The proposal was further endorsed through The REDD Working Group – the institutional body established for REDD + in Nepal, and approved by the Ministry of Forests and Soil Conservation. Finally the Ministry of Finance also endorsed the proposal, and submitted to the World Bank formally.

2. An overview of the progress made in the implementation of the R-PP

Significant progress has been made on overall readiness for REDD+ implementation in Nepal following the government's decision to participate in the REDD+ process under the FCPF in 2008 and signed the Readiness Grant contract with the World Bank to implement readiness activities proposed in the R-PP in 2010. It is also very important to note that progress on all components/sub components of the REDD+ process is not equal. REDD+ being a very complex multi sectoral process, additional work on various components of the R-PP and new issues have been carried out. These activities have enhanced the capacity of major REDD+ stakeholders to implement REDD+ activities more effectively.

An overview of the progress made until August 2015 in the implementation of the major components and sub components of the REDD+ is presented in the following sections.

2.1 Component 1: Readiness Organization and Consultation

2.1.1 Sub-component: 1a. National REDD+ Management Arrangements

Progress on National REDD+ Management Arrangements is significant since the previous REDD Cell under the Ministry of Forests and Soil Conservation (MoFSC) was upgraded to REDD Implementation Center (REDD IC). To support the REDD IC, a multi stakeholder forum, REDD Working Group (RWG) has been effectively working under the chairmanship of Secretary, MoFSC.

REDD IC has been implementing activities effectively under the present forest governance structures in the MoFSC in coordination with various departments and district level offices.

RWG is also a functional body that meets regularly to provide overall policy guidelines. The high level Apex body, chaired by the Minister of MoFSC and comprising of representatives from different stakeholders, has not met as frequently as it was expected. There is also an inclusive and active REDD+ Multi Stakeholder Forum with a broad community and civil society representation to help and engage in consultations, outreach and communication. Various CSOs and IPOs working in the field of REDD+ have formed a REDD+ CSO and IPO Alliance. The Alliance serves as a common platform to discuss and develop a common understanding on various REDD+ issues, and to advocate on behalf of CSOs and indigenous people's organizations.

The government is now expanding its REDD+ institutional structure to the district level. REDD+ desks are being established in the districts phase wise. In the first phase, government funds were provided to 43 districts to establish REDD+ structure. Twenty districts have already established the Institutional set up for REDD+ similar to the institutional set up at the national level. Robust REDD+ implementation mechanism will be established in the 12 ER-Program districts of the TAL before implementation the ER-Program, most probably in January 2017. In the second phase, remaining districts will also receive required funds to establish their REDD+ structure. Similarly, state level REDD+ structure will be established when these are finalized under the new federal constitution. The draft REDD+ strategy envisioned the district based institutions consisting of a three-tiered structure including (a) District Forestry Sector Coordination Committee (DFSCC) similar to the Apex Body at center, (b) District REDD Working Group (DRWG) functioning similar to the national RWG, and (c) District REDD+ Program Management Unit (DRPMU) as the lead agency to implement ER programs. The formation of a REDD Multi Stakeholder Forum and, District Alliances of REDD+ CSO and IPOs in each district will help outreach and consultation, capacity building and active involvement of local people in the implementation of REDD+ activities in the district. The Mid Term Report (REDD-Cell, 2013) and draft REDD+ strategy, which is expected to be approved by the government soon, provide details of these institutional structures, composition and functions.

Overall progress on readiness organization and consultations is good. The government developed and presented the Emission Reduction Program Idea Notes (ER-PIN) to its first sub-national REDD+ project in 12 districts of the Terai Arc Landscape (TAL) in the 9th meeting of the FCPF Carbon Fund. It was also able to implement all the readiness activities within the extended time of the readiness grant period (by August 31, 2015). This, however, does not mean that Nepal is now fully ready for implementation of the REDD+. There are still some that need to be resolved. Firstly, there are some conflicting views among the stakeholders on the REDD + institutional mechanism and benefit sharing model. It is still unclear who and how the implementation cost of REDD+ programs will be borne. The issue of carbon rights has yet to be resolved. Due to the unclear status of future states, discussions, studies, assessments and other activities did not consider state level requirements. It is unclear what portion of the REDD+ benefits should go to the state

coffer. It is likely that the states will depend heavily for revenue on their natural resources, including forests and water. These issues need to be discussed, debated and resolved once the status of states is finalized. This will require additional funding.

2.1.2 Subcomponent: 1b. Consultation, Participation, and Outreach

Consultation, participation and outreach are in general continuous processes in any project or program. REDD+, being a new, cross sectoral and complex approach, requires effective consultation, participation and outreach at various stages. Nepal has clearly demonstrated that its consultative and participatory approach is very effective and productive. Firstly, MoFSC and REDD IC have an effective mechanism to seek expert opinion and technical guidance on various aspects of REDD+. Nepal has benefitted from both local and international experts' engagement in the REDD+ process. Secondly, there have been a number of local participatory processes to engage indigenous people, forest dependent communities, civil society organizations and local communities in the REDD+ process including readiness activities.

At the national level, REDD IC regularly organizes consultation workshops where representatives from wide range of stakeholders including experts in any specific fields participate to discuss and provide suggestions and inputs. Regional and district level consultation workshops are also organized when required. Various CSOs and local NGOs such as FECOFUN, ACOFUN, NEFIN, DANNAR and many others are engaged in regular consultations. Similarly, INGOs such as WWF Nepal and intergovernmental organizations such as ICIMOD are implementing various REDD+ activities that also ensure active involvement of all stakeholders in the consultation and participation process.

The Mid Term Report (MTR), submitted to the World Bank in November 2013 provides details of awareness, consultation, capacity building, training and outreach activities carried out until October 2013 (Table 3, 4 and 5 of the MTR). Since then, consultation and outreach activities have intensified especially in the 12 districts of TAL as the Emission Reduction Program Idea Notes (ER-PIN) was being developed. The ER-PIN developed was selected into the pipeline at the 9th Carbon Fund meeting in Brussels on 10 April 2014. Considered as one of the good ER-PINs received by the World Bank, Nepal's ER-PIN is a product developed through an extensive consultation, participation and outreach activities conducted during the ER-PIN development process. Details of the programs conducted are provided in the ER-PIN document. Additional consultations and capacity building programs on REDD+ programs are being conducted regularly in different regions after the submission of the MTR. Recently, REDD IC successfully conducted a Training of Trainers (ToT) on REDD+ in 43 districts.

Mechanisms for consultation, public contact and outreach include REDD Working Group, REDD+ CSO and IPO Alliances and REDD+ Multi-Stakeholder Forums. In addition, a number of public media efforts have been conducted including Radio and TV programs,

social media, poster pamphlets, brochures and leaflets. The REDD IC is demonstrating a strong commitment to collaborate and to solicit and value opinions from a variety of civil society, vulnerable communities and IPO organizations, and actively seek their participation at meetings and workshops. Efforts are being made to include civil society, IPO and vulnerable community inputs into the design and comments on the Reference Level (RL); Monitoring, Reporting and Verification (MRV).

It is now opportune time to expand the process of consultation, participation and capacity building at the community level. The process should continue to the implementation phase that will aid in monitoring and evaluation. It is an important part of the critical learning necessary for improved planning and designing of future projects.

2.2 Component 2: REDD+ Strategy Preparation

2.2.1 Subcomponent: 2a. Assessment of Land Use, Land-Use Change Drivers, Forest Law, Policy and Governance

Various studies listed in the R-PP were commissioned for the assessment of Land Use, Land-Use Change, Forest Law, Policy and Governance. The studies include:

1. in-depth analysis of the causal factors for weak forest sector governance, law enforcement and policy implementation and possible actions to address these;
2. assessment of the drivers of deforestation and forest degradation in *Churia* and in the high mountain physiographic regions;
3. analysis of the value-chain of forest products (timber and key NTFPs) and the effects and consequences of weak governance, administrative controls on pricing and marketing;
4. assessment of the existing and potential supply and demand situation for forest products in different regions; and
5. effect of climate change and invasive species on forest degradation.

Most of these studies have been conducted and final reports are available online (http://mofsc-redd.gov.np/?page_id=14). Few reports are under final review. The studies completed provide valuable information on overall Land-Use, Land-Use Change Drivers, Forest Law, Policy and Governance including links between drivers and barriers to address them (to reduce the emissions). The studies were mostly of qualitative nature (using participatory consultation approach); they do not, for example, quantify the links between drivers and rates of deforestation and forest degradation. These studies, however, will play an important role of providing a base for further quantitative studies.

2.2.2 Subcomponent: 2b. REDD+ Strategy Options

Nepal's REDD+ strategy has been drafted (currently under review) following the REDD strategy preparation process provided in the R-PP (R-PP, 2b.2, page 41). The strategy is expected to be approved by the government very soon. The R-PP clearly mentions the five stages for developing the REDD+ strategy:

1. Conducting three broad analytical studies: assessing the value of forests at the national level; evaluating the political economy of land use at the national level; and assessing carbon emissions from drivers of deforestation and forest degradation;
2. Consultation for strategic options prioritization;
3. Economic and financial assessments of selected strategic options (final selection);
4. Preparation and consolidation of the REDD Strategy; and
5. Monitoring and evaluation.

The draft REDD+ strategy is under review; reports of the two analytical studies have to be finalized soon. The assessment study of carbon emissions from drivers of deforestation and forest degradation could not sufficiently quantify carbon emissions resulting from different drivers. However, emissions from drivers can be estimated from the National Reference Level study.

The draft REDD+ strategy has been finalized following an extensive and participatory consultation process in 15 districts and a regional level consultation workshop and two national workshops. The strategy document, currently being finalized, is based on results of many other relevant studies. The draft REDD+ Strategy aims to optimize carbon and other co-benefits of forest ecosystems for the prosperity of the people of Nepal. The stated mission is to strengthen the integrity and resilience of forest ecosystems and improve socio-economic and environmental values of forests for communities by improving policy and legal measures, augmenting institutional functioning and enhancing stakeholders' capacities and capability. Nepal's REDD+ strategy document (still draft) includes 13 strategies to achieve the following five objectives:

1. To reduce carbon emissions and enhance climate resilience;
2. To ensure fair and equitable sharing of carbon and non-carbon benefits;
3. To increase livelihood assets and diversify employment opportunities;
4. To improve and harmonize policy and legal framework to harness carbon and non-carbon benefits and strengthen institutional capability; and
5. To establish and maintain a robust National Forest Monitoring System with strong monitoring, reporting and verification (MRV) system;

The development of REDD+ strategy is an important milestone for Nepal's REDD+ preparedness. It is an indication of Nepal's readiness to move towards the implementation phase of the REDD+ process. The REDD+ strategy is sufficiently comprehensive and it is a strong foundation for moving towards achieving broader national and international objectives of the REDD+ mechanism. Revision and improvement of any strategy is an ongoing process. Nepal's REDD+ strategy will also go through this process in future. Some of the additional readiness fund can be used for improving the REDD+ strategy. Economic and financial implications of selected strategic options could be included in the future strategic document along with the monitoring and evaluation of the REDD+ strategy development process as proposed in the R-PP.

2.2.3 Subcomponent: 2c. REDD+ Implementation Framework/Plan

Implementation framework/plan of any REDD+ project/program is very important to achieve the goals of the REDD+ and to receive performance based payments from emission reduction activities. The implementation arrangements are described under seven broad categories in the R-PP.

- i. Forest Carbon Ownership and Land Tenure
- ii. REDD Implementation
- iii. Financing Mechanisms
- iv. Stakeholder Engagement and Governance
- v. Data Management, Monitoring, Reporting and Verification
- vi. Institutional and Governance Reform
- vii. Work Plan and Budget

A draft REDD+ implementation framework is under review. It will be finalized and approved by the government soon. The draft framework provides comprehensive approach on Forest Carbon Ownership and Land Tenure, Institutional Mechanism, Benefit Sharing Mechanism, and Carbon Registry among other issues.

A three-tiered national REDD+ institutional mechanism that builds on the existing entities and institutional structure has been proposed. It suggests new entities including a national REDD+ carbon registry and a Payment Authority at the central level. The proposed institutional structure is expected to accommodate the future needs of the national REDD+ architecture after federalization. This provides an action plan and a tentative estimate of the funds required for preparing for the implementation of the framework.

The draft implementation framework recommends a hybrid approach of REDD implementation with its strategic focus on:

1. forest-based mitigation actions at local, district/sub-national level further strengthening the existing multi-level, cross-sectoral and multi-stakeholder institutional governance mechanism that have emerged in course of successful implementation of CBFM initiatives and further evolved in course of REDD+ readiness preparation in Nepal;
2. reforming and harmonizing policies and implementing policy and measures (PAM) to address the drivers of deforestation and forest degradation rooted in policy and market failure and compliment on-the-ground REDD+ actions; and
3. enabling simultaneous financing of local/sub-national REDD+ actions and the institutional, technical and capacity strengthening of national REDD+ architecture including institutional and technical strengthening to develop a comprehensive and fully operational national MRV system.

The draft plan also suggests legal reforms including defining carbon rights and amendment of some Acts related to forest governance.

Regarding the financial mechanism the draft implementation plan does not recommend any specific model. Rather it says that both options – a national trust fund and a separate fund

within the government administration will be appropriate for Nepal if improvements are made to achieve REDD+ requirements.

Development of the draft REDD+ implementation plan is a good progress. However, much work is necessary to reach the implementation phase. Firstly, there are some issues on the overall institutional mechanism that needs to be established for REDD+. The new constitution of Nepal is in the offing with a federal system of governance. The proposed institutional mechanism need to be aligned with the future federal structure of the country. Similarly, benefit sharing is a sensitive and complex issue. Until now, only benefit sharing has been discussed not the cost. In the final benefit sharing mechanism, clarity is required on the transaction costs associated with the carbon trading mechanism in the international carbon markets. Similarly, establishment of a National Entity for REDD+ and carbon registry system is a very important step for the readiness phase. This has to be resolved soon. Some more work is warranted.

2.2.4 Subcomponent: 2d. Social and Environmental Impacts

Strategic Environmental and Social Assessment (SESA) of the REDD+ strategy has been completed, ESMF prepared. The work on developing the REDD+ strategy had not started when SESA study was commissioned in 2013. However, the SESA team used the strategic options provided in the R-PP and other relevant studies and to develop a comprehensive report on SESA. The REDD+ strategy is currently under review. It will be approved by the government soon. Fortunately the SESA covers all strategies proposed in the draft REDD+ strategy.

2.3 Component 3: Reference Emissions Level/Reference Level

A National Forest Reference Level (RL) has been developed for Nepal along with a RL for a sub-national REDD+ project area in the Terai Arc Landscape (TAL) that covers 12 Terai districts. This has been submitted with the Emission Reduction Program Idea Notes (ER-PIN) for the proposed Emission Reduction (ER) program.

The final report of REDD+ Forest RL developed as a part of the REDD+ readiness activities indicates the following.

- Gross historical emissions from deforestation and forest degradation between 1990 to 2000 is 132,742,895 tCO₂e which increased to 293,231,645 tCO₂e between 2000 and 2010. This shows an increasing trend of emission during the period 1990 -2010.
- During the period 2000 – 2010 forest degradation accounted for more emissions from the forest sector, totaling 279,378,779 tCO₂e, whilst deforestation accounted for only 22,852,865 tCO₂e during the same period.
- There was an increase in GHG removals, estimated at 33,608,560 tCO₂e between 1990 – 2000; it increased to 85,964,612 tCO₂e between 2000 – 2010.
- By 2020 net emissions are projected to continue in line with the reference period average at 18,842,458 tCO₂e / year, with deforestation accounting for 2,077,533 tCO₂e/year while forest degradation will account for 24,579,889 tCO₂e/year. During the same period, enhancement of forest carbon stocks is predicted to result in the

removal of 7,814,964tCO₂e/year based on a continuation of the average removals achieved during the period 2000 - 2010.

The RL developed for the proposed emission- reduction program area of the TAL, shows that during the 12-year period between 1999 and 2011, a total of 52,245,991 tons CO₂e was emitted from deforestation and forest degradation, an average emission of 4,353,833 tons CO₂e/year. In the period 2006-2011, emissions averaged 6,879,686 tCO₂e/year, an increase of 58% over the 12-year average, and in the period 2009-2011, emissions increased even more dramatically, averaging 11,412,396 tCO₂e/year or 162% higher than the 12-year average (Annexes 3 and 4). It shows that in a business-as-usual (BAU) scenario, emissions from deforestation and forest degradation is likely to continue at an increasing rate. Based on the average historical rate of net carbon flux of 4,353,833 tons CO₂e/year, the RL projection shows that during the first five years of the ER program (2015 to 2020) CO₂e emission will be 21,769,650 tons in a BAU scenario (ER-PIN, 2014).

New Forest Resource Assessment data for the country were not available when RL was developed. The Forest Resource Assessment Project has already completed and its final report is under review. When the new forest resource data are published, it will be necessary to update the RL report incorporating the new data. In most cases, IPCC default data have been used to develop the RL. To improve the accuracy of forest carbon accounting, local allometric equations for major forest species and for different forest types need to be developed. Some additional funds will be required to improve the RL calculations.

2.4 Component 4: Monitoring Systems for Forests and Safeguards

2.4.1 Subcomponent: 4a. National Forest Monitoring System

REDD IC had commissioned a detailed study for designing a robust Monitoring, Reporting and Verification (MRV) system for Nepal's REDD+ process. The study was completed on time and the final report of the study is publically available online (<http://mofsc-redd.gov.np/wp-content/uploads/2013/11/Full-Cost-Proposal-document.pdf>). During the nine months of the study (from June 2013 to March 2014), the team produced 11 working papers . The report clearly states the basic requirements for developing a robust MRV system for REDD+. A framework of the Nepal's MRV system included in the report builds on the present structure and the works of the Forest Resource Assessment (FRA) project as envisioned in the R-PP. The report proposes a Central MRV Section under the DFRS having a coordination unit and four independent but closely connected units namely: (1) Database/IT Unit; (2) Remote Sensing/GIS Unit; (3) Forest Inventory Unit; and (4) Reporting Unit. The report also provides a financial plan for total MRV implementation in national and sub-national level, which is expected to be between US\$ 5.2 to 9.5 million.

The FRA project (2010-2014) was designed to provide comprehensive, up-to-date, national-level forest resource information for use in national forest policy development and national-level forestry sector decision-making. The project was expected to collect national-level baseline information required for REDD+. The project was completed in December 2014.

However, the final report and full forest resource data are not yet publically available. Reports on Terai forests and *Churiya* forests are available. It seems that FRA output would not be as useful as expected for developing and establishing an MRV for REDD+ purpose. Substantial readiness fund will be required to develop and establish a robust MRV system in Nepal including development of local allometric equations for major forest species.

2.4.2 Subcomponent: 4b. Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards

The information system of multiple benefits, other impacts, governance and safeguards (environmental and social) is being developed by the REDD IC. R-PP provides eight principles (R-PP, 4b: Other benefits and Impacts) which forms a basis for monitoring social and environmental impacts of REDD+ in Nepal. Four major activities are planned for developing the anticipated information system:

1. Desk study to analyze the indicators from REDD+ Social & Environmental Standards and development of an appropriate methodology and measurable parameters that can applied in the field to assess the impact of REDD activities;
2. Incorporation of the methodology and parameters in the field manual that will be developed to determine emissions and removals (see component 4a above);
3. Capacity building of local communities and local level government bodies to monitor these parameters; and
4. If necessary, development of a social and environmental baseline for Nepal, taking into account some of the data that was expected to be collected by the FRA.

Ongoing efforts in the development of National Forest Information System (NFIS) are expected to integrate relevant information for multiple benefits, impacts, governance and safeguards in the system. The national indicators of the seven Cancun safeguard principles must be developed first. Work on this sub component has yet to be planned and implemented. MSFP is supporting to develop monitoring system for non-carbon benefits.

3. Progress on the FCPF Grant Activities

The government has established a three-tiered institutional mechanism to facilitate smooth operation and implementation of REDD+ interventions and REDD+ Readiness Programme. The three-tiered institutional arrangement consists of:

- a. an inter-ministerial governing body, the **Apex Body**, chaired by the minister of MoFSC, ensuring multi-sectoral coordination and cooperation for planning and implementation of REDD+ activities at the highest level;
- b. REDD+ Working Group led by the Secretary of the MoFSC and comprising of government and non-government actors, to provide technical and institutional support to REDD+ Implementation Center (REDD IC); and
- c. REDD+ Implementation Centre led by a Joint Secretary, which is the lead institution to undertake REDD+ initiatives.

For REDD+ related matters, REDD IC provides technical input to the Ministry of Science Technology and Environment (MoSTE), which is the national focal point for UNFCCC for

climate change, to support in positioning Nepal on REDD+ and to meet communication requirements under UNFCCC. Hence, there is a coordinated effort towards meeting UNFCCC reporting and communication requirements.

Both the Apex Body and the REDD Working Group are multi-sectoral coordination bodies, which have inter-ministerial as well as inter-agency members working together to support of REDD+ interventions. In addition, there are two additional coordination mechanisms. The **REDD+ Multi stakeholder Forum** functions primarily as an outreach and communication platform for the REDD IC. The **REDD+ CSO & IPO Alliance's** main objective is to advocate for the interests of civil society and indigenous peoples. These multi-stakeholder platforms represent a wide array of organizations and interests including government, academia, international and national not-for-profit organizations, private sector, bilateral and multi-lateral development partners and community-based organizations. These mechanisms contribute to the development of a strong and comprehensive national REDD+ strategy.

The REDD+ Expert Working Group forms the technical wing that was formed to oversee and provide technical guidance and input to the process of formulation of FREL/FRL, MRV system, and National REDD+ Strategy. These groups also provide guidance to the development of a Strategic Environmental and Social Assessment (SESA) and an Environmental and Social Management Framework (ESMF), which are measures required under World Bank safeguards procedures and which may also contribute to the development of a REDD+ Safeguards Information System (SIS).

For REDD+ Readiness phase, the government commissioned several studies and assessments to contribute towards the development of National REDD+ Strategy. The notable and crucial assessments completed include implementation framework, Computable General Equilibrium Model, political economy of land use, benefit sharing mechanism, SESA/ESMF and carbon ownership.

Nepal has reached an advanced stage for making necessary structural and system changes required for implementing REDD+, namely the four key elements requested under Paragraph 71 of Decision 1/CP.16. Nepal's National REDD+ Strategy preparation is at the final stage. Once finalized, the Strategy will be made available through the UNFCCC REDD+ Web Platform. GoN is also preparing to submit its initial Forest Reference Emission Level or Reference Level (FREL/FRL) to the UNFCCC for technical assessment. Meanwhile, GoN is planning to develop a system to provide a summary of information on REDD+ safeguards through the National Communication or REDD+ Web Platform starting from 2016.

The GoN has established several climate and related policies to support the implementation of REDD+. The following are examples:

- The Climate Change Policy 2011, that specifically mentions REDD+, addresses climate change mitigation and adaptation issues.
- The revision of the National Biodiversity Strategy Action Plan focuses on the promotion and harmonization of Aichi targets for biodiversity conservation with REDD+ safeguards.

- The Forest Encroachment Control Strategy 2012 strongly emphasizes on the expansion of forest cover and restoration of illegally occupied forests.
- The National Forestry Sector Strategy 2015 has been aligned with the current Three Year Plan.
- The Land Use Policy 2012 focuses on classification of the land¹ based on their use. It encourages an expansion of forest cover and discourages conversion of forest land and forests into other land use systems.
- The Rangeland Policy 2012 stresses on the need to enhance rangeland, conserving biodiversity and improve livelihoods of the communities dependent on the rangeland resources.
- The Investment Board Act 2012 focuses on the engagement and promotion of private sector in forest management.
- The Low Carbon Economic Development Strategy (yet to be endorsed) has identified forestry sector as one of the six sectors for pursuing a low carbon growth path by adopting climate change mitigation options.
- The Subsidy Policy for Renewable Energy 2013 and Rural Energy Policy 2006 both are intended to promote technological and institutional support in innovation and production of alternative energy sources which have positive implications on forest resource management.

As an attempt to piloting performance based payment, Nepal is developing Emission Reduction Project Document, following Nepal's ER-PIN that was accepted at the 9th Carbon Fund Meeting in 2014. Nepal was also selected as a Forest Investment Program piloting country, and currently the government is making preparations for an investment plan to be submitted to the FIP.

4. Compliance with the Common Approach

Nepal has several existing laws, policies, and institutions that address environmental and social safeguards in forestry operations and development activities. However, in order to address recent developments on REDD+ social and environmental safeguards at national and international levels, including the UNFCCC Cancun decision and World Bank requirements, two areas of work are ongoing in Nepal.

First, under the FCPF Readiness Fund, Nepal has completed a study on SESA/ESMF. The SESA/ESMF documents are available at www.mofsc-redd.gov.np. Government is fully committed to comply with the safeguards. The outcomes of the study are well integrated into the Nepal REDD+ Strategy.

Second, Nepal has already developed the REDD+ Social and Environmental Standards (SES), and has demonstrated consistent commitment to using these standards through a country-led, multi-stakeholder process. Nepal views the REDD+ SES process as complementary to SESA/ESMF, both in terms of articulating country-specific needs for safeguard information

¹ Land Use Policy has identified seven categories of land based on their utilization – agricultural, forests, residential, commercial, public, industrial and others.

systems in addition to World Bank safeguards requirements, developing a foundation for what could be shared under UNFCCC requirements, and for providing information to national and international stakeholders on non-carbon benefit, benefit sharing and governance. The English and Nepali versions of Nepal specific REDD+ SES indicators are available at www.redd-standards.org and www.mofsc-redd.gov.np.

4.1 Stakeholder engagement

The GoN is committed to continuing a robust consultation process, building on earlier consultations during the formulation of R-PP and ER-PIN. Extensive consultations will be carried out during this additional funding phase, including at the community level, following the “Guidelines on Stakeholder Engagement in REDD+ Readiness” on topics ranging from institutional arrangements, benefit sharing, roles of stakeholders and implementation strategies. Looking ahead to the implementation phase, the GoN will build models designed under the R-PP. For example, the REDD IC will strengthen its partnership with the REDD+ CSO and IPO Alliance and provide resources to conduct targeted consultations on FCPF supported activities. This will include using their existing networks and decentralized structures to enhance participation, communication and outreach.

4.2 Disclosure of information

Nepal has already demonstrated its commitment under disclosure of information through its practices in sharing of information in various stages of REDD Readiness and community based forest management. Keeping the current ways of sharing information through different means viz. websites, documents, extension material, public hearings, REDD Multi-Stakeholder Forum and workshops, the system of disclosing of information will be made more accessible and transparent through improvements in websites, establishment of district and regional level websites and development of a National Forestry Database and National Forestry Information System.

4.3 Grievance and accountability

The study on Feedback and Grievance Redress Mechanism (FGRM) has been completed. The study assessed the existing formal and informal FGRMs at local and national levels including the use of traditional and customary grievance and conflict resolution and management. The report clearly characterized current grievance patterns and possible trends in forestry and REDD+. The future FGRM will build on existing mechanisms, including the traditional and customary institutions of feud and grievance redress.

The study also identified relevant institutions for the implementation of REDD+ programs, and assessed their accessibility at local levels. The assessment included an analysis of their accountability mechanisms such as social audits and community score cards. The report identified current institutional strengths and capacity gaps for grievance resolution and has proposed a plan to continuously improve FGRM and communicate to stakeholders.

The report suggests constructing a GRM to promote dialogue and problem solving as an intermediate way for stakeholders to discuss problems and to channel such grievance through an acceptable, independent and institutional mechanism for resolving conflicts

arising from REDD+ implementation. Grievances can be submitted through email, website, written letter, telephone, SMS and a suggestion/complaint box. The recommendations from this study will be implemented as a FGRM system for REDD+. This mechanism will be operational for the ER program.

5. *Status of Readiness Activities' financing*

During the preparation of R-PP various donor agencies (USAID, DFID/SDC, Finland, and Japan) pledged to support Nepal's REDD readiness activities. Table 1 and Table 2 depict a summary of agreed activities and corresponding costs. Among the donor agencies, DFID/SDC pledged the highest amount followed by USAID. Japanese government agreed to support primarily the development of reference scenario. Finland government agreed to contribute to the development of a MRV system by helping to produce national level baseline data.

Other than the program supported by FCPF, other organizations also performed REDD+ readiness activities. The details about the activities conducted have not been shared formally with the REDD IC project. Informal communication with implementing agencies indicate some of the planned activities during the R-PP development process have been implemented. It appears only a small proportion of the budget allocated for pledged REDD+ activities under MSFP (DFID/SDC) has been used while USAID, JICA and Finland used their entire budgets allocated for REDD readiness activities.

On the use of grant received under FCPF readiness fund, about 84% was used until July 15, 2015. By the end of the financial disbursement grace period (October 31, 2015) about 94% of the total grant is expected to be spent. US \$0.204 million is likely to remain unspent.

Table 1. Sources of Funds (in US\$ thousands)

Development Partners		Activities	Funds pledged (A)	Funds Committed (B)	Funds Disbursed (C)	Funds available (A-B)
FCPF [REDD Readiness]		Funds are available for all five components of REDD Readiness	3,595	3,400	3085.94	314.06
Government of Nepal		Some analytical studies and administrative cost	335	200	200	0
UN-REDD Programme [specify activities being supported by the UN-REDD]	UNDP	REDD Strategy Options	150	150	0	150
	UNDP	REDD+ Fund Management at the National Level	175	175	0	175
	UNEP	Natural Capital Accounting for Forestry Sector in Nepal (or National Forest Valuation)	220	220	0	220
	UNEP	Monitoring of PAMs using proxy indicators	125	125	0	125
	FAO	Policy Laws and Regulations (PLR) and Institutional Review	59	59	0	59
	FAO	Technical support on topic of Forest Reference Level	80	80	0	80
	UNDP	An additional amount of US \$ 50,000 is requested for coordination activities for TS	50	50	0	50
Other Development Partners						
	USAID ²	Organize and Consultation	1,136.6	1136.6	1136.6	0
	MSFP ³	Stakeholder consultation, assessing the value of forest and REDD Strategy	1,447.5	240	240	0
	JICA ⁴	Reference scenario activities and National REDD Arrangement Management	360.0	360	360	0
	Finland ⁵	Designing Monitoring system	780	780	780	0
TOTAL			8,514	2,500	1,000	6,014

² USAID, through the *Hariyo Ban* Program, has pledged funding for REDD readiness, but they are managing fund their own.

³ MSFP pledged funding for Nepal's REDD readiness, but they are managing fund their own

⁴ JICA pledged funding for National Readiness and Management and Reference scenario subcomponents and supports were provided in terms of equipment and vehicle such as 4 W Pick Up and computers.

⁵ Finland pledged funding for designing monitoring system and the pledged amount was provided to FRA project which was carrying out forest assessment.

Table 2. Uses of Funds (in US\$ thousands)

R-PP Component	Sub Components	Total needed (A)	Funds pledged (B)	Funds used		Funds available (B – C)	Financing gap (A – B)	Request to FCPF
				Funds Committed (C)	Funds Disbursed			
Organize and Consultation	National Readiness Management and Arrangement	451	338	338	264.78	0	113	
	Stakeholder Consultation and Participation	2,406	3,005	1,744	576.00	1,261	-599	
Prepare the REDD Strategy	Assessment of Land use, Forest Policy and Governance Activities	106	106	106	0.00	0	0	
	REDD Strategy Options	165	155	125	133.30	30	10	
	REDD Implementation Framework	261	189	189	0.00	0	72	
	Social and Environmental Impact	140	140	120	0.00	20	0	
Develop a reference scenario	Reference Scenario activities	1,355	1,355	1,355	225.09	0	0	
Design a Monitoring System	Emissions and Removals	2,090	1,770	1,770	1130.88	0	320	
	Other benefits and Impact	440	620	620	0.00	0	-180	
Design a program Monitoring and Evaluation system		241	241	241	0.00	0	0	
TOTAL		7,655	7,919	6,608	2,330	1,311	-264	

6. Progress on PC16 Recommendations

Distinguish clearly between IP and CSOs in the stakeholder engagement process

CSOs and IP are the main stakeholders of REDD readiness in Nepal and they are separate organizations. In the REDD Working Group there are separate representations from IPs and CSOs. Likewise, in multi-stakeholder forum, the main platform to discuss the REDD issues, these two organizations are invited and each organization represents independently. Also in the REDD+ SES Technical Committee, the IPS and CSOs represent separately. Recently Nepal has formed a technical committee to provide technical advice to ERPD development process, both IPs and CSOs represent in the committee. Nepal also has formed the REDD+ CSO and IPO Alliance, which serves as a platform to discuss and develop a common understanding on REDD+ on behalf of CSOs and IPOs.

Development of M&E system for non-carbon benefits

Non carbon aspects of REDD+ is highly prioritized in REDD+ readiness process and hence developing its monitoring system is essential. The REDD IC invited potential consultants with three notices; but no qualified expert was available. For 2015, fund has been allocated through MSFP for the same assignment. It is expected that M&E system for non-carbon benefits will also be completed in 2015.

Nepal has developed safeguards indicators using REDD+ Social & Environmental Standards facilitated by the Climate, Community & Biodiversity Alliance (CCBA). Under CCBA and CARE Nepal support monitoring plan with indicators has been developed which are currently being assessed. The assessment is expected to be complete by the end of September 2015.

Continue integration of the REDD+ strategy into the national low carbon development strategy

The National Low Carbon Development Strategy integrates REDD+ activities quite well. It lists forestry as one of the six leading sectors for promoting low carbon growth in the country. The strategy stresses on improving forest management practices, community based forest management, livelihood through forest management and sustainable management of forests. Moreover, the strategy highlights the need to include women, indigenous people, *dalit* and marginalized community in all processes. Apart from mitigation, adaptation to address the effects of climate change is also emphasized in the strategy. Ecosystem based adaption is the main component of the strategy.

Maintain and enhance the openness and inclusiveness of the process, especially with respect to the development of an Emissions Reduction Program

Nepal has established the REDD+ Multi-stakeholder Forum with broader community and civil society representation. The forum functions as the principal consultation, outreach and communication platform. Participation has been inclusive and active. Nepal also has formed the REDD+ CSO and IPO Alliance, which serves as a platform to discuss and develop a

common understanding on REDD+ on behalf of CSOs and IPOs. The REDD+ CSO and IPO Alliance are actively participating in all dialogues.

Nepal followed a very inclusive and participatory process during the ER-PIN development process. The REDD IC conducted three national stakeholder workshops, and five sub-national stakeholder consultations. In addition, the ER-PIN writing team reached out on several occasions to representatives of civil society and indigenous peoples for their inputs.

The GoN is attempting to make ERP development process more participatory and inclusive. REDD IC is planning to have thirty six consultation workshops at the district level (three workshops per district) three regional workshops and at least two national workshops. An 11-member ERP technical committee has been recently established with representatives from CSOs, government agencies, donor partners and IPS. Efforts are being made to make ERP writing team more inclusive.

Focus activities during the grant extension period more strategically on the development of the ER Program

The REDD readiness activities carried out during the grant extension period were more focused on the ER Program. For example, capacity and awareness programs were designed and implemented in ER program area. The focus of the awareness programs was on the ER program other than information related to overall REDD+ readiness. A study on institutional and cost-benefit sharing arrangement for REDD also focused in the ER program area. Efforts are being made to ensure that REDD readiness activities are performed through REDD partners and focused on ER program. The *Hariyo Ban* Program of USAID implemented capacity building and awareness program in the ER project area.

7. Proposal for Additional Financing from FCPF

For REDD+ Readiness preparation, Nepal needs to conduct following three sets of activities:

- a) Follow up on REDD+ Readiness activities from the 1st phase of readiness:
 - Continuation of readiness activities initiated or planned in the 1st phase of REDD+ Readiness (such as expansion of database piloting to other regions, enhancement of National Reference Level, and establishing a national registry)
 - Follow up actions/activities recommended in the studies from the 1st phase of readiness
 - New activities consistent with RPP
- b) Design of Emission Reduction Program in 12 districts of the Terai Arc Landscape.
- c) Enhance efficiency of forest governance in response to recent disastrous earthquake as emerging country needs/delivery partner's priorities.

Under these broad categories, the government has identified following 25 activities. The GoN strongly requests the FCPF Participant Committee to provide additional \$5 million REDD+ readiness funding.

No	R-PP Component-wise activities for additional funding	Proposed Budget (US\$'000)
	Component 1: Readiness Organization and Consultation	
	Sub-component 1a. National REDD+ Management Arrangements	
1	Integrate recommended institutional set up options by readiness studies into the current institutional structure, and operationalize district level REDD Working Group in 12 ER Program districts and REDD+ Desk in four RD Offices	100
2	Operationalize Feedback and Grievance Redress Mechanism (FGRM) in 12 ER Program districts, including development of FGRM guidelines with clear role and responsibility of each stakeholder	20
3	Additional Readiness Funding management	225
	Sub-component 1b. Consultation, Participation and Outreach	
4	Conduct targeted consultations for awareness raising and capacity building of relevant stakeholders on FCPF supported REDD+ activities (to be managed by IPOs, CBOs, and FUGs)	500
5	Conduct targeted consultations for awareness raising and capacity building of district level MoOFSC officials on FCPF supported REDD+ activities (to be managed by government agencies)	300
6	Publish abridged version of readiness study findings in Nepali and English, and disseminate nationwide.	20
	Component 2: REDD+ Strategy Preparation	
	Sub-component 2a. Assessment of Land-Use, Land-Use Change, Drivers, Forest Law, Policy and Governance	
7	Assessment of timber market and supply system in order to develop recommendations for a smooth and sustainable timber supply system, including revision of timber royalty based on local and international markets	100
	Subcomponent 2b. REDD+ Strategy Options	
9	Assessment of private sector engagement in REDD+ in general and ER Program in particular	100
10	Revise and prepare district forest management plans and operational plans in 12 districts of ER program area	450
11	Assess forest based enterprises, develop enterprise database, and prepare long term program for promoting forest based livelihood, and micro and macro enterprises	400
12	Prepare operational guidelines for silvicultural practices for sustainable forest management	20
13	Prepare a program for enhancing nature based tourism and community resilience	150
	Subcomponent 2c. Implementation Framework	
13	Design of Emission Reduction Program based on ER-PIN of 12 districts of Nepal Terai (including safeguards and consultations)	300
14	Develop REDD fund flow mechanism and its operationalization	50
15	Prepare cost and benefit sharing plan	30
16	Develop and institutionalize carbon registry mechanism	125
	Subcomponent 2d. Social and Environmental Impacts	
17	Prepare and operationalize Safeguard Information System	100
	Component 3: Reference Emissions Level/Reference Levels	
18	Update national RL/REL with information from FRA result	300
	Component 4: Monitoring System for Forests and Safeguards	
	Subcomponent 4a: National Forest Monitoring System	

19	Develop allometric equations (volume/biomass equations) and for fuelwood and timber of 16 major species	450
20	Technical capacity building of government staff and relevant stakeholders on Reference Level, MRV and other aspects of REDD+	150
21	Expand National Forest Database and National Forest Information System currently under development under the Readiness Grant (District level infrastructure development, computer hardware and software)	360
22	Re-measure permanent sample plots and establish new plots if needed	621
23	DFRS Office support, equipment, IT and database experts	109
24	Revise and update participatory monitoring and reporting tools and formats/ Implementation	20
	Subcomponent 4b: Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards	
25	Develop MRV system of major non-carbon benefits or multiple benefits	0
	Total	5,000

7.1 Government capacity to manage the additional funding

It took the GoN about five years to complete the first phase of REDD+ Readiness Grant (\$3.4 million) from FCPF/World Bank, it is reasonable to query on the ability of the government to manage additional \$ 5 million in three years. There are following four factors that are different between the past and the present:

1. **REDD Cell has been upgraded to REDD Implementation Center.** When REDD Forestry Climate Change Cell (REDD Cell) was established, it did not have its own regular staff. Government officials were deputed from other departments and staff were frequent transferred to and from REDD Cell. This was a major reason for delays in implementing the REDD+ readiness activities. The recently upgraded REDD IC now has not only its own budget and staff but also has more staff members than before.

The government, however, is aware that the number of staff in REDD IC is still inadequate to manage the next phase of readiness. The government will appoint more staff in the REDD IC before signing of the Grant Agreement with the World Bank.

2. **Government officials have enhanced capacity, confidence and experience in managing World Bank supported program.** Compared to the start of the previous phase, the government staff now have substantial knowledge and experience on procuring consultant and non- consultant services, and handling technical and financial matters. Significant progress, in terms of expediting different processes, was made toward the end of the 1st phase of REDD+ readiness (2014 and 2015).
3. **Role of carrying out the readiness activities is not limited only to REDD IC.** The first phase of readiness was managed and activities implemented only by REDD-Cell/REDD IC. In the next phase, additional agencies such as DFRS, DoF, DFOs, and DNPWC will also be made responsible for implementing relevant activities (see the

work plan below). This will also help in sharing responsibility that will increase speed and capacity of other departments in the ministry.

4. **There is more clarity on REDD+ processes and methodological guidance at international level.** Compared to earlier days, there is now better clarity on what needs to be done. FCPF has produced several guidance, frameworks and tools. UNFCCC also has more clarity on where the whole REDD+ process is heading. Nepal itself has more concrete goals set up –designing and implementing emission reduction program in twelve districts of Nepal's Terai Arc Landscape (TAL). All of these should assist in expediting the REDD+ readiness in the country.

7.2 Brief description and rationale of the proposed activities

Component 1: Readiness Organization and Consultation

Sub-component 1a. National REDD+ Management Arrangements

1. **Integrate recommended institutional set up options by readiness studies into the current institutional structure, and operationalize district level REDD Working Group in 12 ER Program districts and REDD+ Desk in four RD Offices**

Current readiness studies such as SESA, ESMF, GRM, REDD+ Strategy have recommended separate institutional committees to oversee respective work. There is need to harmonize these structures and integrate into current organizational structure of MoFSC. In the ER-PIN three main structures are conceptualized:

- A. District REDD Working Group (DRWG), a 15-member committee representing district level government agencies, community based organizations, IP, women and *dalit*;
- B. District REDD+ Program Management Unit in District Forest Office to implement district level activities in the ER program, and
- C. Regional REDD+ Focal Office under the Regional Directorate Office to coordinate ER program implementation in the districts.

To complement the role of Regional Directorate Offices, there will also be a REDD+ Focal Office at the Department of Forest and DNPWC, which will liaise with the REDD IC and the Regional REDD+ Focal Offices. It can also communicate directly with DRPMU as needed.

Resources will be provided to 12 District Forest Offices and 4 Regional Directorate Offices to organize regular meetings, capacity building and orientation on REDD+ and ER Program.

2. **Operationalize Feedback and Grievance Redress Mechanism (FGRM) in 12 ER Program districts, including development of FGRM guidelines with clear role and responsibility of each stakeholder**

Under the current readiness grant, a feedback and grievance redress mechanism has been proposed. A guideline with clear roles and responsibilities of each stakeholder will be developed. This will also help in understanding how the affected individuals may report their grievances.

3. **Additional Readiness Funding management**

This includes costs required to manage additional readiness funding for three years of program duration (2016 – 2018) such as hiring procurement consultant, financial consultant; organizing meetings of REDD Working Groups, and Apex Body; building capacity of journalists and involving media in the process; purchasing office equipment (printers, computers, stationery); and other REDD IC expenses related to REDD+ Readiness management.

Sub-component 1b. Consultation, Participation and Outreach

4. Conduct targeted consultations for awareness raising and capacity building of relevant stakeholders on FCPF supported REDD+ activities (to be managed by IPOs, CBOs, and FUGs)

In the first phase of REDD+ Readiness, participatory and inclusive systems for consultation and awareness raising were established such as IPO and CSO Alliance and multi-stakeholder forum. According to draft R-Package, while outreach of REDD+ Readiness activities has increased continuously, there is relatively few evidences to indicate the utility of Indigenous People's institutions in the decision-making processes, particularly at grass-root level. Greater emphasis on including vulnerable communities and marginalized groups including but not limited to *Dalit*, ethnic groups, women and forest dependent communities is needed. Also, use of different media such as radio, television, social media, mobile technologies and other means to expand awareness was frequently suggested by various stakeholders.

Following the successful model Nepal adopted during R-PP preparation stage, REDD IC will develop partnership with REDD+ CSO and IPO Alliance and provide resources to the Alliance to conduct targeted consultations on FCPF supported activities. The Alliance is currently set up at a national level. Such structure has to be established at the district level. One of the tasks REDD IC envisions to work through the Alliance is to prepare district level REDD+ stakeholder profile. REDD IC will develop a terms of reference, keeping in mind IPOs and CBOs, and invite them to the bidding process. The Alliance should also discuss among themselves on how best they can support the government in reaching out to local communities.

5. Conduct targeted consultations for awareness raising and capacity building of district level MoFSC officials on FCPF supported REDD+ activities (to be managed by government agencies)

Capacity and awareness level of district level government officials on REDD+ program is still weak. Since they are the ones implementing emission reduction programs in their jurisdiction, it is essential that they fully understand the process and nature of REDD+ programs and objectives. By mobilizing local resource person trained on REDD+ during the first phase of REDD+ readiness, district level government officials will be trained on different aspects of REDD+.

6. Publish abridged version of readiness study findings in Nepali and English, and disseminate nationwide

Reports prepared for REDD+ Readiness are often too long and difficult to interpret for common people. A brief version of those reports with information most relevant on that topic helps to communicate findings of that study broadly. So this item includes producing shorter versions of the reports and translating them into Nepali. Publishing in large quantities will enable distribution throughout the country.

Component 2: REDD+ Strategy Preparation

Sub-component 2a. Assessment of Land Use, Land-Use Change Drivers, Forest Law, Policy and Governance

7. Assessment of timber market and supply system in order to develop recommendations for a smooth timber supply system, including revision of timber royalty based on local and international markets

It has been well known for a long time that Nepalese timber marketing and supply system has numerous weaknesses. There is always scarcity of timber in the market, while stacks of logs go rotten in depots. Complications remain in procedures and guidelines to regulate the harvest, transport, processing, value addition and marketing of forest products from private forests and various other management modalities used in national forests. There is a need to simplify the mechanism to differentiate/tag the origin of the products (whether from national forest or private land) to ease the transportation, certification, taxation and royalty. Royalty, taxes, charges, and regulatory measures understate forestry values, encourage overconsumption, and discourage investment and management. Hence a study will identify problems in the timber supply chain, and also recommend revised royalty rate based on local and international market conditions.

Subcomponent 2b. REDD+ Strategy Options

8. Conduct a study for the involvement of private sectors in REDD+ in general and ER Program in particular

The ER-PIN envisions private forestry as one of the major strategic interventions to generate emission reductions. It is roughly estimated that efforts to promote private forestry initiatives under the ER program will help establish about 12,000 ha of commercial private forests in the area (1,000 ha in each district) in five years. This will sequester 118,000 tons of CO₂e in five years (based on an emission factor (EF) of 1.46 tons/ha, the average from the IPCC default value (0.55 t C/ha/year) and EF estimated from the RL analysis (2.4tC/ha/year).

Similarly private sector is anticipated to contribute to financing emission reduction activities. This study will identify relevant private sectors in engaging carbon financing, estimate their contribution to ER program, and measures to promote their involvement in the long run.

9. Revise and prepare district forest management plans and operational plans in 12 districts of ER Program area

The ER program builds on and greatly expands Nepal's successful community-based forest management model and addresses key gaps in resources for enforcement and scientific

management of forests. The ER program proposes to expedite forest hand over rate transferring approximately 300,000 ha of government-managed forests to community forests or collaborative management over a seven-year period, beginning in year two, with improved specifications for SMF/carbon enhancement. Approximately 220,000 ha of government managed forests lie in the Terai where full carbon benefits of SMF/carbon enhancement can be realized.

It is also envisioned that Sustainable Management of Forest (SMF) and carbon enhancement practices will be implemented in all existing community forests (approximately 240,000 ha) and collaborative forests (approximately 40,000 ha) in the ER program area.

For these proposals to materialize, District Forest Management Plans and Operational Forest Management Plans (OFMPs) have to be updated and revised by the Department of Forests with broader district-level consultation processes.

10. Assess forest based enterprises, develop enterprise database, and prepare long term program for promoting forest based livelihood, and micro and macro enterprises

In the ER-PIN, one of the strategic interventions identified is enhancing alternative livelihood opportunities to address underlying drivers of deforestation and degradation. The efforts to reduce conversion of forests into other land uses will be ineffective if local communities do not have alternative livelihood options. The ER program, in coordination with ongoing poverty reduction initiatives such as the Poverty Alleviation Fund, and Rastrapati (President) Chure Conservation Program, proposes to expand initiatives to reduce socio-economic based pressures on forests. The main beneficiaries of this intervention are expected to be the most socially and economically disadvantaged rural households in the program area, namely women, *dalit* and *janajati* (indigenous peoples) and the poor who depend on forests to make their living.

Preparation of long term program for promoting forest based livelihood, and micro and macro enterprises will include but not remain limited to:

- a) access for economically disadvantaged households to micro credit facility and financial institutions (e.g., seed money to start small businesses);
- b) alternative and more productive skill based income generating activities;
- c) agriculture activities associated with forestry, and improved agriculture practices (e.g., cash crops); and
- d) vocational training (e.g., in building trade, bamboo crafting, animal husbandry, and food sector) paired with microfinance opportunities.

11. Prepare operational guidelines for silvicultural practices for sustainable forest management

The REDD+ Strategy identifies sustainable management of forests as one of the means to enhance carbon stocks and climate resilience, increase supply of forest products, and reduce carbon emissions. However, forest management practices throughout the country are protection oriented. Making necessary guidelines for SFM will encourage active forest management.

To promote SFM, operational guidelines for silvicultural operations such as regeneration, plantation, thinning, pruning, harvesting procedures, silvicultural systems (clear felling, coppicing, shelter wood, selection system) will be developed which will be applicable to all forest management regimes (government managed forests, community forests, collaborative forests).

12. Prepare a program for enhancing nature based tourism and community resilience

Nepal has great potential for nature based tourism, which will ultimately encourage the local people to protect and conserve natural resources including forests and its biodiversity. When local forest dependent people engage in tourism related service sectors, their income increases, their dependency on forest for livelihood decreases resulting reduced pressure on forests. With the help of WWF Nepal and Hariyo Ban Program, Home Stay programs are being promoted in various places especially in the nearby of the protected areas. In the next phase of the REDD+ readiness program, more potential areas of the nature based tourism will be identified, detail program to promote the tourism will be prepared and local people will be trained and supported for implementing the program especially in the ER-Program area.

Subcomponent 2c. Implementation Framework

13. Design of Emission Reduction Program based on ER-PIN of 12 districts of Nepal Terai (including safeguards and consultations)

While designing ER Program and preparing an ERPD, the government has to invest additional resources, on top of World Bank's technical and financial support, to design a detailed program. The government can carry out extensive consultation with government agencies with regard to handing over government managed forest to community based forest management models and bringing current protection oriented government managed forest into sustainable management practices. Likewise, the government needs to demonstrate how the ER program meets relevant World Bank social and environmental safeguards, and promotes and supports the safeguards included in UNFCCC guidance related to REDD+. Safeguard plans have to be developed, along with the information sharing and consultation mechanisms or structures in a form, manner and language understandable to the affected stakeholders for the ER Program.

14. Develop REDD fund flow mechanism and its operationalization

Nepal needs an appropriate financial governance system at several levels to receive REDD+ funds from international sources. Importantly, it requires a national fund into which international finance can be deposited. However, limited preparatory groundwork has been done towards developing a national governance structure. The proposed activity will help establish a national fund and its management structure.

15. Prepare cost and benefit sharing plan

REDD IC commissioned a study to assess the benefit and cost sharing related to REDD+ activities. The study, however, covered only the benefit sharing mechanism and failed to

explicitly develop plan for sharing costs. Therefore, development of a comprehensive cost and benefit sharing plan for ER program area has been proposed. The plan will include:

- a. categories of potential beneficiaries, describing their eligibility to receive Payment-Related Benefits under the ER program and the types and scale of such payments;
- b. criteria, processes, and timelines for the distribution of Payment-Related Benefits;
- c. monitoring provisions for the implementation of the Benefit-Sharing Plan including opportunity for participatory monitoring and validation.

16. Develop and institutionalize carbon registry mechanism

The Readiness package, which must be endorsed by the Participants Committee in order for Nepal to participate in the Carbon Fund, requires to have a national geo-referenced REDD+ information system or an operational registry, that includes all relevant information (e.g., information on the location, ownership, carbon accounting and financial flows for sub-national and national REDD+ programs and projects), and publicly accessible.

Similarly, Methodological Framework for the FCPF Carbon Fund requires establishment of a National Emission Reduction Transaction Registry capable of performing necessary functions and administrative procedures required to ensure that any ER from REDD+ activities under the ER Program are not generated more than once; and that any ER from REDD+ activities under the ER Program sold and transferred to the Buyer are not used again by the Seller for sale, public relations, compliance or any other purposes. A comprehensive REDD+ Program and Projects Database are necessary to avoid having multiple measures claiming the same ER.

An ER transaction registry handles the process of creating (i.e. issuing) offsets units with unique serial numbers and supporting the transfer of ER units between account holders within the registry and to other linked trading registries.

The budget allocated for this activity will be used to:

- develop mechanism for REDD+ information system or registry to make it operational and comprehensive of all relevant information (e.g., information on the location, ownership, carbon accounting and financial flows for sub-national and national REDD+ programs and projects), and publicly accessible;
- prepare operational guidance clarifying the roles and responsibilities of entities involved in the Emission Reduction transaction registry, as well as rules for operation of the registry; and
- organize training and workshop to build capacity of REDD IC staff and other institutions that will be involved in managing the registry.

Subcomponent 2d. Social and Environmental Impacts

17. Prepare and operationalize Safeguard Information System

According to the Cancun decision 1/CP.16, the parties implementing REDD+ should promote and support safeguards. Likewise, developing parties (countries) have to develop a system for providing information on how safeguards will be addressed and respected (Safeguard Information System, SIS). Nepal has already initiated work on developing web based safeguard information system linking SIS with the National Forest Database and National Forest Information System. Nonetheless, interpretation of the Cancun safeguard in the country context and safeguard monitoring plan for ER program area are essential. Safeguards, SIS and its safeguard monitoring plan will be developed and integrated in the national database and information systems.

Component 3: Reference Emissions Level/Reference Levels

18. Update national RL/REL with information from FRA result.

FRL assessment technical committee formed by the MoFSC has found several gaps in the first national FRL drafted in early 2015 including lack of time series data (high temporal resolution), lack of locally developed allometric equations linking tree size (DBH and height), growing stock (volume), biomass and carbon stored (both above ground and below ground). The technical committee has also indicated further need of capacity building of relevant stakeholders including local resource persons, remote sensing and GIS technicians to be engaged with FRL development and MRV system in future. There is also indication that FRL write-up team in the center needs to be capacitated in terms of developing their understanding of UNFCCC technical assessment framework for FRL. In addition to improve the draft FRL and submit to the UNFCCC, the proposed activities intend to enhance technical capacity to access and analyze reliable data (primary) so Nepal can resubmit technically more robust FRL to the UNFCCC (achieving highest methodological tier) following step-wise approach.

Component 4: Monitoring System for Forests, and Safeguards

Subcomponent 4a: National Forest Monitoring System

19. Develop allometric equations (volume/biomass equations) for fuelwood and timber of 16 major species of Nepal volume tables

One of the most important components in continuous forest inventory and MRV context, is the biomass estimation. Since the minimum standard for the proposed MRV design is to comply with the requirements of Tier 2, local allometric equations are needed for biomass estimates. Local level models allow more accurate estimates of carbon stocks and changes.

Currently, estimates of biomass and carbon rely on IPCC default values as local allometric equations for biomass are not available. The equations developed by Sharma and Pukkala (1990) are outdated and covers only a limited number of species (21 species). The MRV report recommends development of new and more comprehensive allometric equations.

Given the diversity of forest types existing in Nepal, it is neither possible nor necessary to build allometric equations for all species. For practical reasons, keeping in mind the difficulties of field work and the cost for destructive sampling, 16 most important forest species identified by the forest resource assessment project will be included in this initial study. Before undertaking a field campaign for biomass estimation, DFRS will do a rigorous

evaluation of the existing information for optimizing the sampling design and develop scientifically acceptable methodology.

20. Technical capacity building of government staff and relevant stakeholders on Reference Level, MRV and other aspects of REDD+

For the capacity building of key government officials mainly of DFRS and other relevant stakeholders on technical aspects of REDD+, several trainings and capacity building workshops will be conducted.

21. Continue and expand database of forest management information system being undertaken under current Readiness Grant (District level infrastructure development) computer software

Under the current REDD+ Readiness grant, Nepal is developing a complementary database and information management systems: the National Forest Database and the National Forest Information System (NFIS). The NFD incorporates comprehensive data on themes related to forest resources, forest management, forest users, carbon stock, and other related attributes in all management regimes. The NFIS includes necessary infrastructure, interface, tools and links to NFD that enables information seekers with exploration, analysis, reporting, and visualization on forest attributes (forest resources, carbon stock, and management). The current database covers only western development region, on a pilot scale, needs to be expanded to include all regions. Similarly the NFIS infrastructure is planned for access at limited locations such as REDD IC, district forest office. The scope needs to be expanded to include all forest related departments and ministries.

22. Re-measure permanent sample plots and establish new plots where needed

The Forest Resource Assessment (FRA) project in Nepal has been completed. The project established about 1600 permanent sample plots, and carried out forest resource assessment by physiographic regions of Nepal. Out of the five physiographic regions, the plots in Terai (Southern Plain) were measured almost five years ago. In order to monitor forest condition at five-year intervals, a physiographic region has to be measured each year continuously: Terai region year after and *Churia* region the following year. The intensity of sample plots needs to be increased for more accurate assessments of forests.

23. DFRS Office support, equipment, IT and database experts

In the MRV report, it is recommended that MRV implementation at national level be carried out by the Central MRV Section to be created within DFRS. The MRV section will require one coordination unit and four independent but closely connected units, namely: Database/IT/Unit; Remote Sensing/GIS Unit; Forest Inventory Unit; and Reporting Unit. For this to happen, some resources have been allocated to DFRS for setting up the new units.

Office support includes items related to maintaining power backups by running generators, stationaries, high speed internet connections and other expenditures related to office functioning. Managing the database and sharing the data/information will require continuous power supply and fast internet access.

Forest inventory equipment were acquired for implementing recent FRA. However, due to intensive use, often in rugged terrain for five years, many devices need replacement. This is especially more relevant in case of fragile and expensive but very important equipment such as Vertex and Transponders (equipment for measuring laser based distance and tree height). Furthermore, new efficient devices are available such as Criterion for measuring basal area at different tree cross sections. Also, there is a need to set up a system of on-site data entry which will require devices for data entry and backup in the field. Remote sensing data analysis requires high-end machines in order to efficiently process and interpret large data sets for monitoring and mapping forests.

In the existing human resources of DFRS, there is no provision of personnel related to IT and Database. However, those expertise are very essential in order to maintain the database and eventually share with stakeholders. The short term IT and Database experts are expected to provide the technical support on database management as well as help improve the technical capacity of DFRS staff to maintain the system in future.

24. Revise and update participatory monitoring and reporting tools and formats/ Implementation

The MRV report prepared under the current readiness grant and the recently completed FRA projects have identified various attributes for data collection for regular measurement and monitoring. This will require revising and updating data collection templates for all forest management regimes (government managed forests, collaborative forests, community forests, and others).

Subcomponent 4b: Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards

25. Develop MRV system of major non-carbon benefits or multiple benefits

The government of Nepal believes that social and environmental benefits achieved at the local level are the lynchpin of a sustainable REDD+ program. It has already identified major non-carbon benefits or multiple benefits from REDD+. Nepal submitted an idea note on co-benefits to the UNFCCC prior to the 38th session of SBSTA, in which Nepal has identified the following six types of co-benefits from REDD+, their indicators and means of verification.

- A. Enhancement of local livelihoods
- B. Increase in the value of biodiversity
- C. Better ecosystems services to people and environment
- D. More resilient ecosystems for climate change adaptation
- E. Improved governance, institutional setup and policies for natural resource management at local to national levels
- F. Contributions to MEAs

A MRV system that incorporates these non-carbon benefits has not been developed. This is planned for the next phase of REDD+ readiness. The Multi-Stakeholder Forestry Program is providing financial support for this, hence no amount is requested from the FCPF.

8. Detailed Work Plan for the Proposed Activities

Proposed activities and detail work plan

No	R-PP Component-wise activities for additional funding	Scope (national/districts)	Proposed Budget US\$'000	Responsible Agency	Duration (Jan 2016 – Dec 2018)
	Component 1: Readiness Organization and Consultation				
	Sub-component 1a. National REDD+ Management Arrangements				
1	Integrate recommended institutional set up options by readiness studies into the current institutional structure, and operationalize district level REDD Working Group in 12 ER Program districts and REDD+ Desk in four RD Offices	National+ ER Program Area	100	REDD IC +DFOs	2016-2018
2	Operationalize Feedback and Grievance Redress Mechanism (FGRM) in 12 ER Program districts, including development of FGRM guidelines with clear roles and responsibility of each stakeholder	National+ ER Program Area	20	REDD IC	2016
3	Additional Readiness Funding management	National	225	REDD IC	2016-2018
	Sub-component 1b. Consultation, Participation and Outreach				
4	Conduct targeted consultations for awareness raising and capacity building of relevant stakeholders on FCPF supported REDD+ activities (to be managed by IPOs, CBOs, and FUGs)	National	500	IPOs+CBOs, and FUGs	2016-2018
5	Conduct targeted consultations for awareness raising and capacity building of district level MoFSC officials on FCPF supported REDD+ activities (to be managed by government agencies)	National	300	DFOs	2016-2018
6	Publish abridged version of readiness studies' finding in Nepali and English, and disseminate nationwide.	National	20	REDD IC	2016-2018
	Component 2: REDD+ Strategy Preparation				
	Sub-component 2a. Assessment of Land-Use, Land-Use Change Drivers, Forest Law, Policy and Governance				
7	Assessment of timber market and supply system in order to develop recommendations for a smooth and sustainable timber supply system, including revision of timber royalty based on local and international market	National	100	REDD IC	2017-2018
	Subcomponent 2b. REDD+ Strategy Options				

9	Assessment of private sector engagements in REDD+ in general and ER Program in particular	National+ER Program	100	REDD IC	2016–2017
10	Revise and prepare district forest management plans and operational plans in 12 districts of ER program	ER Program Area	450	DoF and DFOs	2016-2018
11	Assess forest based enterprises, develop enterprise database, and prepare long term program for promoting forest based livelihood, and micro and macro enterprises	National	400	REDD IC	2016 - 2017
12	Prepare operational guidelines for silvicultural practices for sustainable forest management	National	20	DOF+DFOs	2017-2018
13	Prepare a program for enhancing nature based tourism and community resilience	National+ER program area	150	DNPWC	2016
Subcomponent 2c. Implementation Framework					
13	Design of Emission Reduction Program based on ER-PIN of 12 districts of Nepal Terai (including safeguards and consultations)	ER Program Area	300	REDD IC	2016-2017
14	Develop REDD fund flow mechanism and its operationalization	National	50	REDD IC	2016–2017
15	Prepare cost and benefit sharing plan	ER Program Area	30	REDD IC	2016-2017
16	Develop and institutionalize carbon registry mechanism	National	125	REDD IC	2016-2017
Subcomponent 2d. Social and Environmental Impacts					
17	Prepare and operationalize Safeguard Information System	National	100	REDD IC	2016
Component 3: Reference Emissions Level/Reference Levels					
18	Update national RL/REL with information from FRA result.	National	300	REDD IC /DFRS	2016
Component 4: Monitoring System for Forests and Safeguards					
Subcomponent 4a: National Forest Monitoring System					
19	Develop allometric equations (volume/biomass equations) and for fuelwood and timber of 16 major species of Nepal volume tables	National	450	DFRS	2016-2018
20	Technical Capacity building of government staff and relevant stakeholders on Reference Level, MRV, and other aspects of REDD+	National	150	REDD IC	2016-2018
21	Expand National Forest Database and National Forest Information System currently under development under Readiness Grant (District level infrastructure development, computer hardware and software)	National	360	REDD IC +DFRS	2016–2018
22	Re-measure permanent sample plots and establish new plots if needed	Terai	621	DFRS	2016–2018

23	DFRS Office support, equipment, IT and database experts	National	109	DFRS	2016
24	Revise and update participatory monitoring and reporting tools and formats/ Implementation	National	20	REDD IC +DoF	2017
	Subcomponent 4b: Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards				
25	Develop MRV system of major non-carbon benefits or multiple benefits	National	0	REDD IC	2016
	Total		5,000		

9. Progress on post ER-PIN process

Post ER-PIN process mainly constitute signing of the Letter of Intent (LoI), development of the Emission Reduction Program Document (ER-PD), submission of the ER-PD to the FCPF Participant Committee (PC) meeting and going for the ER-PA signing process after the ER-PD is approved by the PC meeting. Nepal's ER-PIN was selected into the pipeline by the Carbon Fund at its 9th meeting in April 2014. Government of Nepal formed an ER-PD drafting team in July 2014. However, the ER-PD drafting team was not able to start its work until the LoI was signed. Finally, LoI was signed in 3rd June 2015, which has now opened the door to develop the ER-PD. Government has now reconstituted the ER-PD drafting team and changed it to the "ER-PD steering committee" which will be leading the ER-PD developing process. It is expected that the steering committee will form a core "ER-PD writing team" soon and ER-PD development process will commence after discussing the various issues and timeframe of the ER-PD development process with the World Bank mission soon. REDD IC has tentatively planned to finalize the ER-PD in March 2016, which will be then submitted to the following Carbon Fund meeting.