

**Forest Investment Program (FIP) and Forest Carbon Partnership Facility (FCPF)  
Consultative Mission (February 13 - 17, 2017)**

*Aide Memoire*

**I. Introduction**

1. A World Bank team<sup>1</sup> led by Abdelaziz Lagnaoui (Lead Environmental Specialist) carried out consultative mission to review with the Government of Nepal (GoN) (a) the status of the preparatory activities of the Forest Investment Plan (FIP); (b) the status of setting up the National Steering Committee for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM); (c) the progress on the Emission Reduction Program Document (ERPD) development; and (d) the work plan for the implementation of the REDD+ Additional Funding (AF).

2. The mission extends its appreciation to the GoN and other stakeholders for their cooperation and participation in the mission. The Bank team had discussions with officials of the Ministry of Forest and Soil Conservation (MoFSC) including the REDD Implementation Centre (RIC), the Department of Soil Conservation and Watershed Management (DSCWM), the Department of Forest Research and Survey (DFRS); the Ministry of Finance (MoF); the Nepal Electricity Authority (NEA), the Central Bureau of Statistics (CBS); and representatives from Indigenous Peoples and local community groups (see Annex-1 for persons met).

3. This Aide Memoire details the mission's main recommendations which were discussed in a wrap-up meeting held on February 17, 2017. The meeting was chaired by the MoFSC Joint Secretary Dr. Sindhu Dhungana, Chief RIC. As agreed at the wrap up meeting, this Aide Memoire will be classified as a public document as per the World Bank's *Access to Information* policy.

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4. The World Bank team also discussed the mission outcomes with Mr. Shankar Bhandari, Minister for the Forest and Soil Conservation and Mr. Prakash Mathema, Secretary and briefed them on the status of the various forest-related activities supported by the World Bank. The Minister thanked the World Bank for its support to the Government of Nepal, to enhance the role of forests in the national economy and as a source for people's livelihoods and prosperity. In that context, Mr. Bhandari requested the World Bank to further explore the possibility of project financing for Nepal's forest sector under Nepal's Forest Investment Plan.

5. During the Team's meeting at the Ministry of Finance (MoF), the Joint Secretary of IECCD Dr. Baikuntha Aryal acknowledged the approval of the World Bank grants, both the Additional Financing for REDD+ Readiness and the FIP preparation grant, and emphasized the need for focusing now on the implementation. Dr. Aryal emphasized the need for a programmatic approach to ensure the efficient and effective use of resources to address the challenges and opportunities associated with Nepal's forest. He also requested the RIC to expedite the preparation of the FIP, and requested the mission to explore whether the deadline to submit Nepal's FIP would need to be extended given the challenging circumstances related

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The team comprised of: Abdelaziz Lagnaoui (Lead Environmental Specialist), Drona Raj Ghimire (Senior Environment Specialist and Co-Task Leader), Andrea Kutter (Senior Operations Officer and Co-Task Leader), Urvashi Narain (Lead Environmental Economist), Juan Pablo Castaneda Sanchez (Environmental Economist), Rajesh Koirala (Carbon Finance Specialist), Annu Rajbhandari (Environmental Specialist), and Sailja Shrestha Giri (Team Assistant).

to the earthquake and economic blockade. He also expressed interest in receiving World Bank support for further improving Nepal's national accounts, including forest accounts that capture the economic value of all forest goods and services. The opportunity for integrating a nature-based tourism project in Nepal's Investment Plan should be further explored.

6. The Mission met with representatives from Indigenous Peoples and local community groups to receive (a) feedback on their engagement in the Emission Reduction Program Document (ERPD) consultation process, including remaining concerns, and (b) an update on the status of the establishment of the Steering Committee for the FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) in Nepal. During the meeting, the representatives expressed the need for additional consultations on the ERPD and for support to finalize the selection of the members of the Steering Committee for the DGM. With regard to the development of the FIP, the representatives requested clarification on their engagement in the process and on the timing for consultations on drafts of the investment plan.

#### *Natural Capital Accounting – Forest Accounts*

7. During discussion with the Nepal Electricity Authority (NEA), officials noted that several agencies are mandated to work in a watershed, and it is beyond NEA's mandate and capacity to implement all relevant activities in a watershed. However, NEA recognizes the importance of managing and reducing the sediment load in the river to ensure the sustainability of Nepal's hydropower infrastructure and ultimately, energy production. NEA is willing and interested in coordinating and collaborating with other agencies to support an integrated watershed management approach, including sediment control activities. NEA informed the mission that currently, the District Development and Village Development Committees use the royalty received from electricity generation for activities that contribute to soil erosion and landslides (i.e. improper construction of rural roads) adversely affecting the operating capacity of hydropower plants. There is need to increase awareness so the committees can use these resources for investments which do not have unnecessary negative trade-offs.

8. During discussion with the Central Bureau of Statistics (CBS), officials expressed interest in working on Natural Capital Accounting which would inform Nepal's System of National Accounts (SNA). CBS officials expressed their wish to collaborate with the Department of Forest Research and Survey (DFRS) to develop these accounts by providing guidance for data quality assurance and sharing knowledge on statistical best practices. This work could be useful for the ongoing effort to enhance the SNA by providing relevant information for forest related products, services and economic activities. This additional data will allow the Government of Nepal to understand the real contribution of forests to the economy and ultimately inform the decision making process on forest-related investments.

#### *Integrated Catchment Management*

9. During discussion with the Department of Soil Conservation and Watershed Management (DSCWM), officials stressed the need for an integrated watershed management approach to protect Nepal's physical infrastructure such as hydroelectric dams and roads. Officials also identified the need for institutional capacity development, awareness creation and cross-sectoral collaboration at all levels to make the implementation of the approach effective. Investments are needed for the implementation of soil conservation measures; the establishment of a network of sedimentation measurement stations and an associated data and information system, and a mechanism supporting Payments for Environmental Services.

## **II. Key Issues and Agreements**

10. Over the next few months, it has been agreed that the MoFSC will give highest priority to the development of the FIP, the finalization of the ERPD and the implementation of the Additional Finance for REDD+ Readiness project. In that context, RIC will focus its efforts on speeding up the hiring process for the agreed consultants.

11. MoFSC recognizes the challenges associated with the tight time line for preparing the FIP and finalizing the ERPD on time for consideration by the FCPF Participants Committee in November 2017.

12. It was agreed that the MoFSC will send a letter to the FIP Sub-Committee requesting an extension to the deadline for submission of the FIP in October 2017 without losing the FIP allocation of USD24 million for investments and USD4.5 million for the DGM.

13. World Wide Fund for Nature (WWF) was contracted to help the Government of Nepal prepare the ERPD. WWF gave a short presentation on the preparation of the ERPD during this mission and submitted the first draft document that has been circulated for review and comments on February 22, 2017. The mission requested the RIC to coordinate with the WWF team, provide inputs, and facilitate consultations with ERPD Development Team and all relevant government agencies and key stakeholders.

14. Under the approved additional funding for REDD+ Readiness, the mission requested RIC to give the highest priority to activities supporting the ERPD, which include safeguards, consultations and revisions of district level forest management plans. These activities have all received a budget allocation.

15. Indigenous Peoples and local community groups shared concerns regarding the level of consultations of the ERPD process and emphasized the need for additional consultations. These consultations will be coordinated by the RIC and the WWF team based in Nepal.

16. In the context of the development of Nepal's FIP, the MoFSC expressed interest in exploring further the opportunity associated with the Natural Capital Accounting agenda, especially the forest accounts. The World Bank offered to explore to mobilize support for the forest accounting work through funding from the Wealth Accounting and Valuation of Ecosystem Services Global Partnership (WAVES).

17. The World Bank and the DSCWM agreed to continue the technical assistance work related to integrated watershed management to protect Nepal's physical infrastructure (i.e. dams, roads). Based on the outcomes of the technical assistance, a project supporting integrated watershed management for sustainable infrastructure could be included in Nepal's FIP. In addition, the team will explore the opportunity for integrating a nature-based tourism project in Nepal's Investment Plan.

## **III. Next Mission**

18. The next mission is tentatively planned for April 2017.

#### IV. Agreed Actions

19. Based on the detailed discussion with RIC and MoFSC, the following actions were agreed:

Key Actions	Date	Responsibility
<b><i>Nepal Forest Investment Plan</i></b>		
Hire consultants or firm for supporting the preparation of the Investment Plan as needed, including: <ul style="list-style-type: none"> <li>- Procurement specialist</li> <li>- FIP expert</li> <li>- Social Development Specialist</li> <li>- Private Sector Specialist</li> </ul>	March 30, 2017	RIC
Revise timeline for the development of the Investment Plan, including consultations, expert review and public disclosure. Share with key FIP stakeholders.	March 15, 2017	RIC
Letter to FIP Sub-Committee with request for extending submission deadline for Nepal's Investment Plan (signed by Minister, MoFSC)	March 15, 2017	RIC
Form FIP DGM National Steering Committee	May 31, 2017	IPs and LCs, RIC
Hire local consultant for enhancing Nepal's Forest Account	April 29, 2017	WB, DFRS
Discuss 2 <sup>nd</sup> phase for technical assistance in support of integrated watershed management to protect physical infrastructure	April 29, 2017	WB, DSCWM
<b><i>Emission Reduction Program Document</i></b>		
Comment on the first draft of the ERPD (release date: February 22, 2017)	March 10, 2017	RIC, IPs and LCs, WB
Additional consultations with IPs and LCs on ERPD	April 15, 2017	RIC, WWF
ERPD submission to FCPF Carbon Fund	March 11, 2017 (9 months prior to December 11 <sup>th</sup> FCPF Carbon Fund meeting)	RIC
<b><i>Additional Finance: REDD+ Readiness</i></b>		
Update procurement plan and submit for WB approval	March 10, 2017	RIC, WB
Develop TOR for consultants and initiate hiring process for ERPD safeguards, consultations with stakeholders, and revision of district forest management plan to align with ERPD.	March 15, 2017	RIC, WB

## List of Persons Met

### **Ministry of Forest and Soil Conservation (MoFSC)**

Mr. Shankar Bhandari, Minister  
Mr. Prakash Mathema, Secretary

### **Ministry of Finance**

Dr. Baikuntha Aryal, Joint Secretary

### **REDD Implementation Centre**

Dr. Sindhu Dhungana, Joint Secretary  
Dr. Mohan Prasad Poudel, Under Secretary

### **Department of Soil Conservation and Watershed Management**

Mr. Bijaya Raj Paudyal, Director General  
Dr. Prem Paudel, Planning Officer

### **Nepal Electricity Authority**

Mr. Har Raj Neupane, Acting Deputy Managing Director  
Mr. Prahlad Rau, Engineer, Generation Department

### **Central Bureau of Statistics (CBS)**

Mr. Ishwori Prasad Bhandari, Director  
Mr. Jishnu Mohan Bhattarai, Director

### **Representatives from Indigenous Peoples and Civil Society Organizations**

Ms. Pasang Dolma Sherpa, Center for Indigenous Peoples Research and Development  
Ms. Rama Ale Magar, Chair Person, Himalayan Grassroots Women's Natural Resource Management Association (HIMAWANTI) Nepal  
Mr. Jagat Baram, Chairperson Nepal Federation of Indigenous Nationalities (NEFIN)  
Mr. Hari Acharya, Federation of Forest based Industry and Trade (FENFIT)  
Mr. Bhola Bhattarai, National Forum for Advocacy Nepal (NAFAN)  
Mr. Gokul Prasad Dura, Chair Person, Dura Society  
Ms. Chinimaya Majhi, Chairperson, Indigenous Women Federation Nepal  
Ms. Manju Dhimal, Indigenous Women Federation Nepal  
Mr. Ganesh BK, Chairperson, Dalit Network Federation  
Mr. Lok Bahadur Dura, Vice-chairperson, NEFIN  
Ms. Bharati Pathak, General Secretary, Federation of community Forestry Users Nepal (FECOFUN)  
Mr. Ghana Shyam Pandey, Chair Person, Green Foundation

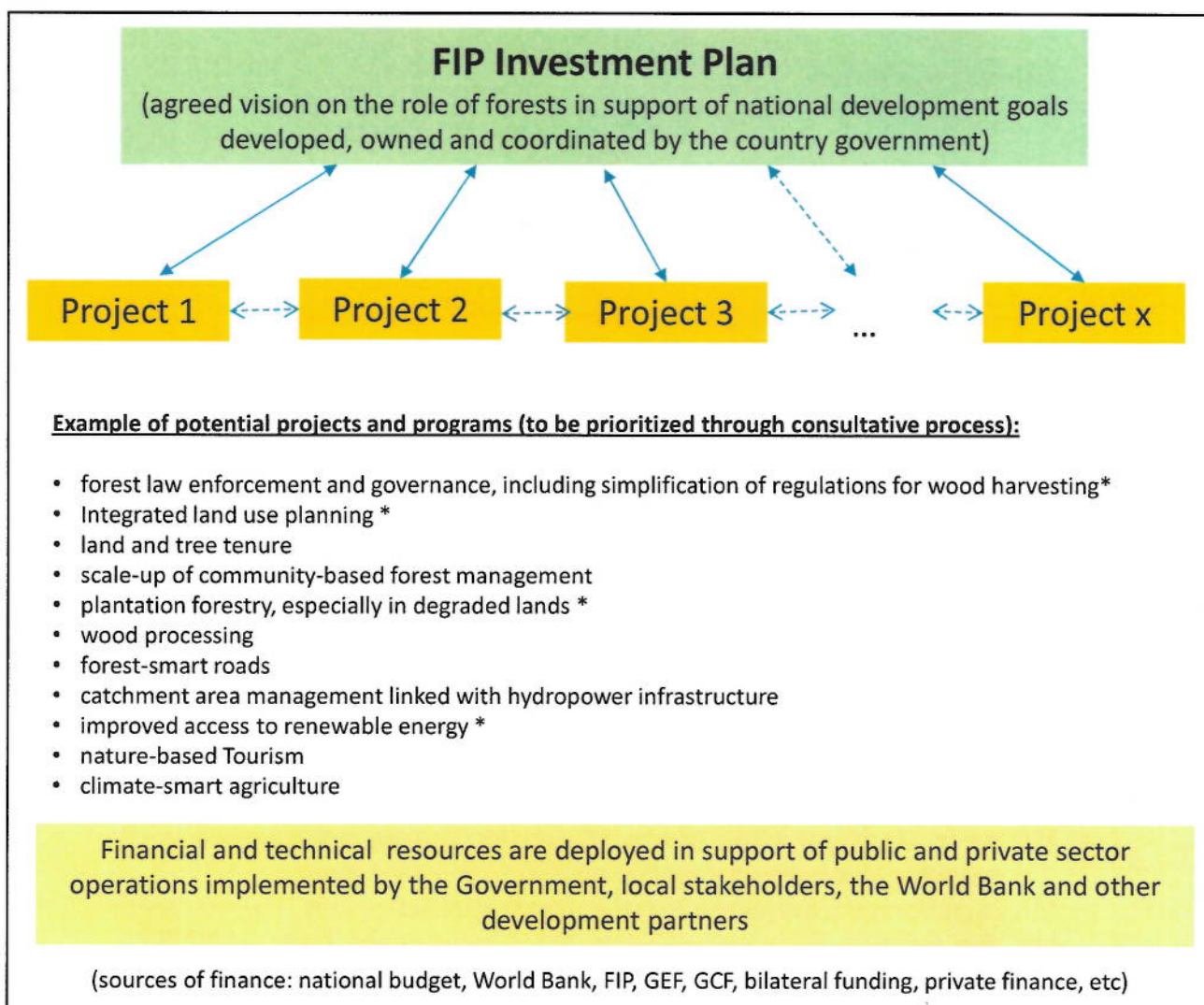
### **ERPD Development Team**

Mr. Santosh Mani Nepal, Director, WWF Nepal and Team Leader for ERPD  
Mr. Ugan Manandhar, Deputy Director, WWF Nepal

### **Study on Gender Integration in REDD+**

Ms. Divya Gurung, Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN)

## Visualization of the Structure of a Forest Investment Plan



\*Activities identified in Nepal's ER-PIN under the FCPF Carbon Fund