



Government of Nepal
Ministry of Forests and Environment
REDD Implementation Centre
Babarmahal, Kathmandu

Part 1: Main Report

**Benefit Sharing Plan of the REDD+ Emission
Reductions Program for 13 Terai Arc Landscape
Districts**

Final Revised Version
May 2025

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ACRONYMS AND ABBREVIATIONS

ACOFUN	Association of Collaborative Forest Users Nepal
BSP	Benefit Sharing Plan
BZF	Buffer zone forest
BZCFUG	Buffer zone community forest user groups
CBMIS	Community-based monitoring information system
CF	Community forest
CFUG	Community forest user group
CoFSUN	Community-Based Forestry Supporters' Network
CollF	Collaborative forest
CollFUG	Collaborative forest user group
CSO	Civil society organization
DANAR	Dalit Alliance for Natural Resources
DFO	Division Forest Office
DFRS	Department of Forest Research and Survey
DNF	Dalit NGO Federation
DoFSC	Department of Forests and Soil Conservation
DoNPWC	Department of National Parks and Wildlife Conservation
DPMU	District Project Management Unit
ER	Emission Reduction
ERPA	Emission Reductions Payment Agreement
ERPD	Emission Reductions Program Document
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FDF	Forest Development Fund
FDF PDIC	FDF Project Development and Implementation Committee
FECOFUN	Federation of Community Forestry Users Nepal
FGRM	Feedback and grievance redress mechanism
FLHFUG	Federation of Leasehold Forest User Groups
FPIC	Free Prior and Informed Consent
FPMU	Federal Project Management Unit
FREL	Forest reference emission level
FRL	Forest reference level
FRTC	Forest Research and Training Centre
GESI	Gender equality and social inclusion
GHG	Greenhouse gas
GIS	Geographic information system
Ha	hectare
HIMAWANTI	Himalayan Grassroots Women's Natural Resource Management Association
IPs	Indigenous peoples

IWMI	International Water Management Institute
LHF	Leasehold forest
LHFUG	Leasehold forest user groups
MITFE	Ministry of Industry, Tourism, Forest and Environment at the provincial level
MoF	Ministry of Finance
MoFE	Ministry of Forests and Environment
MRV	Measurement, Reporting and Verification
MtCO ₂ e	Million (metric) tons of carbon dioxide equivalent
NDC	Nationally Determined Contribution
NEFIN	Nepalese Federation of Indigenous Nationalities
NFA	Nepal Foresters' Association
NIWF	National Indigenous Women Forum
NNRFC	National Natural Resources and Fiscal Commission
PMU	Project Management Unit
PDIC	Program Development and Implementation Committee
POM	Project Operations Manual
PWD	Person with Disability
RDN	Rastriya Dalit Network
RECOFTC	The Centre for People and Forests
REDD IC	REDD Implementation Centre
REDD+	Reducing Emissions from Deforestation and Forest Degradation, plus Conservation, Sustainable Management of Forests, and Enhancement of Forest Carbon Stocks
RF	Religious forest
RFUGs	Religious forest user groups
SES	Social and environmental standards
SESA	Strategic environmental and social assessment
SIAS	South Asia Institute for Advance Studies
SIS	Safeguard information systems
TAL	Terai Arc Landscape
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

SUMMARY

Introduction

- This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) program in 13 districts across the Terai Arc Landscape (TAL)¹ of Nepal. This BSP has been developed in order to satisfy one of the conditions of effectiveness under the Emission Reductions Payment Agreement (ERPA).
- The BSP has been developed on the spirit of legislative provisions, sectoral policies, and practices, and considers the local socioeconomic circumstances as appropriate.
- The ERP covers an area of about 2 million hectares (ha), that includes 1.17 million ha of forests which is managed by the government and local communities under various management regimes.
- The ER program area—home to diverse social and ethnic groups—is comprised of 144 local level bodies (municipalities) with defined jurisdictional boundaries.
- The ER program aims to achieve emission reductions (ER) of around 34.2 MtCO₂e over a period of 10 years, considering 2018 as the base year. Nepal intends to trade a total volume of 9 MtCO₂e (excluding a performance buffer²) to the Forest Carbon Partnership Facility (FCPF) Carbon Fund over the ERPA's term. The ERPA terms covers the ER performance achieved since Emission Reduction Program Document (ERPD) approval date (June 2018)³
- The ERPD has proposed seven specific interventions including implementation of sustainable forest management, localize forest governance, expanding access to alternative energy, expanding and scale up leasehold and private forest initiatives, improving integrated land-use systems and improving the management of existing protected areas.
- The BSP builds on the benefit-sharing arrangements proposed in the ERPD for the ER program and provides information on aspects highlighted in the FCPF Methodological Framework and the Facility Management Team Note (2019).
- The BSP provides scenarios illustrating indicative levels of performance for the achievement of 100%, 50%, 10% and 0% of the ER target of 9 MtCO₂e.

Beneficiaries – eligibility criteria and beneficiary categories

- The BSP identifies beneficiaries of ER payments based on a combination of criteria, including institutional factors, ER activities, degree of forest dependency and social justice.
- The BSP recognizes four beneficiary categories: (i) government entities; (ii) community-managed forest groups (iii) private forest owners; and (iv) forest dependent households outside of the user groups.

Allocation of benefits

- A volume of 9 MtCO₂e, at a unit price of USD 5, will be transacted under the ERPA terms.

¹ The TAL is the first conservation landscape in Nepal targeted for the conservation of large species. The goal of the landscape is to conserve the biodiversity, forests, soil, and watersheds of the Terai and Churia hills, in order to ensure the ecological, economic, and socio-cultural integrity of the region (MOFE, 2016).

² Out of total ER, 23% (7.9 MtCO₂e) is allocated as an uncertainty and risk reversal buffers.

³ The start date of the ER accounting period begins with the date of ERPD selected into the Carbon Fund portfolio in June 2018.

- Total benefits received as the results-based payments from the Carbon Fund of the FCPF will be directly deposited in the designated account of the Forest Development Fund (FDF) as per the Emission Reduction Payment Agreement (ERPA) signed by the Government of Nepal and the World Bank in February 21, 2021.
- The Division Forest Office (DFO)/PA authorities or the beneficiaries shall submit their Investment Plans to the REDD Implementation Center (REDD IC) for approval. REDD IC will review and approve the Investment Plans for each beneficiary. Upon approval, REDD IC will recommend either advance or final payment to the Forest Development Fund (FDF).
- REDD IC will serve as the Project Management Unit (PMU) or authority for Emission Reduction (ER) payments, including monitoring and reporting to the Ministry and other concerned authorities. Following its established procedures, FDF will disburse funds to the bank accounts of the beneficiaries as recommended by REDD IC.
- REDD IC will oversee and monitor the utilization of ER payments and will also be responsible for developing a system for recording, Tracking and monitoring of Payments which will be integrated with FDF payment mechanism. FDF will allocate the necessary funds to cover management, monitoring, and system development costs incurred by REDD IC.
- Of the total ER payments deposited in Forest Development Fund, 80% will be disbursed for the performance-based allocation to the government forest entities and community-based forest user groups, 5% for private forest owners, another 5% for forest dependent households and communities outside the user groups with the recommendation and approval from REDD IC. The remaining 10% of the payments received at FDF will be allocated for operations and management purposes.
- ER benefits will be awarded to the government and forest user groups based on their performance across the forest management units measured by the total forest area where activities are being implemented, as reflected in their periodic Plan (DFO) and Investment Plan (forest user groups) respectively. The preparation of the above plans are preconditions for receiving ER benefits. The forest user groups utilize payments in accordance with the current benefit sharing plan and existing policies. Specific details on planned and implemented activities and the distribution of benefits themselves will be contained in the respective forest user group's Investment Plans.
- Once the FDF's Designated Account receives the Emission Reduction (ER) payments, a dedicated account will be assigned by the Financial Comptroller General Office (FCGO) to facilitate further disbursements from the FDF. The FDF will channel these funds to eligible beneficiaries through the government's budgetary system (LMBIS), using the dedicated account. All disbursed funds will be subject to audit by the Office of the Auditor General.
- REDD Implementation Center (REDD IC) will be responsible for approving and selecting the Investment Plans. All approved plans will be recorded in the LMBIS system as either programs or activities. Once these activities are approved in LMBIS, the FDF will directly transfer the funds to the beneficiaries' accounts. Under this program, the government will not control or influence the beneficiaries in the implementation of their investment plans.

- REDD Cell and the designated REDD focal persons will collect expenditure details from the beneficiaries and submit them to REDD IC and FDF for final audit purposes. The Ministry of Finance (MoF) will have the authority to enter and approve activities related to ER payments in the LMBIS system at any time during the fiscal year by creating new items or systems as necessary. If a beneficiary is unable to spend the allocated funds for an approved investment plan, the unspent amount will not be frozen or returned to the government treasury. Instead, it will be redeposited into the FDF account. The system will then continue to operate as per the usual process, allowing the reallocation or reuse of the funds in alignment with the established procedures under the ER payment mechanism.
- 5% of the total ER Payment will be distributed to private forest owners *in kind*—in the form of goods (seedlings) and services (technical input) for the protection and growth of the forest on their lands.
- The remaining 5% of total ER payments is a basic allocation⁴ to forest-dependent households and communities not belonging to any forest group.
- Non-monetary benefits will be distributed to private forest owners and non-group members. The local municipality will administer the benefit sharing mechanism to the identified groups.

Institutional arrangements

- The sharing of benefits is done through the Forest Development Fund (FDF)— a dedicated body for mobilization of funds on the forestry sector established in accordance with section 45 of the Forest Act 2019 and Forest Regulation 2022.
- The FDF Program Development and Implementation Committee (PDIC) will manage the FDF as the federal level fund management steering committee, pursuant to the process depicted by the Forest Regulation 2022.
- At the local levels, oversighting of the program and benefit sharing of the ER program activities will be expedited by the municipalities or rural municipalities within their respective jurisdictions.
- The REDD Implementation Center (REDD IC) functions as the Project Management Units (PMUs) at the federal and provincial levels. At the district level, the DFOs will serve as District Project Management Units (DPMUs). Each DFO or PA will establish a REDD Division Cell comprising the following members:

The REDD Focal Person (Coordinator)

A representative or Chairperson from the PA authority (if available)

A representative or Chairperson from NEFIN

A representative or Chairperson from FECOFUN

A representative from Women organization

A representative from ACOFUN (if available)

⁴ Note: While the English translations is “basic allocation”, this is equivalent to a fixed allocation.

A representative from BZUC (if available)

- The REDD Cell will support the preparation of Investment Plans and recommend them to REDD IC for program selection and approval.

Benefit distribution

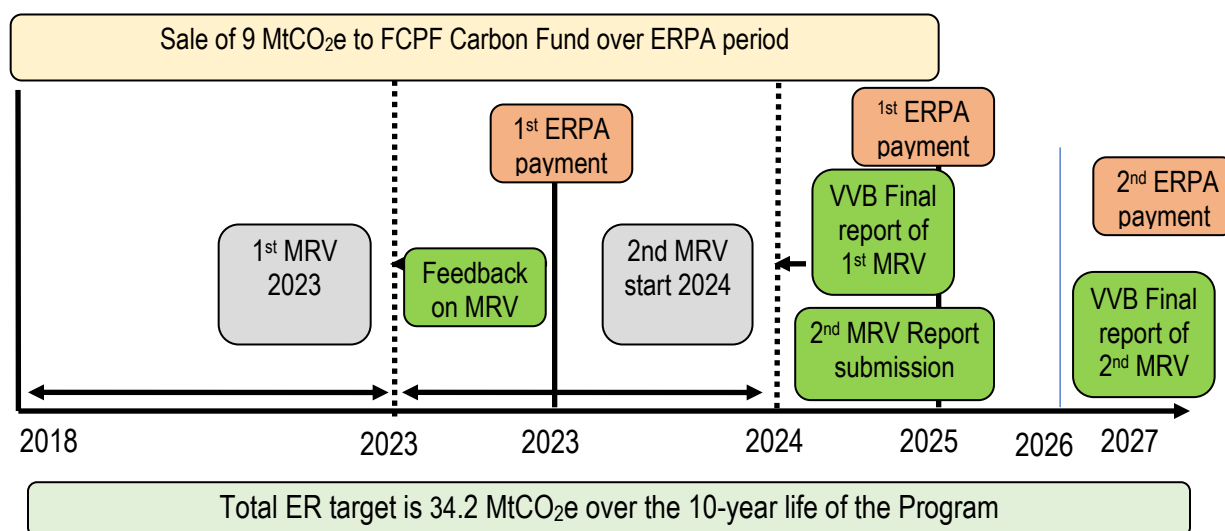
- The designated account of the Forest Development Fund (FDF) will receive payments from the FCPF Carbon Fund based on the volume of verified Emission Reductions (ERs). FDF will be responsible for transferring ER payments to beneficiaries, as per the recommendations and approved activities provided by the REDD Implementation Center (REDD IC).
- REDD IC will oversee and monitor the utilization of ER payments and will also be responsible for developing a system for recording, Tracking and monitoring of Payments which will be integrated with FDF payment mechanism. Additionally, REDD IC will select a service provider to support the tracking and recording of payment flows and expenditures. The cost of this service provider will be covered under the management cost allocated from the ER payment.
- **Performance-based monetary payments and non-monetary benefits:**
- **Forest user groups and government:** Having met the preconditions (Investment Plan or Periodic Plan) and following review and approval by the local and federal fund management steering committees, payments will be distributed to eligible forest user groups and government entities based on the performance on the forest area (ha) they manage. Funds will be transferred from the Forest Development Fund (FDF) to the bank accounts of beneficiaries—including Division Forest Offices (DFOs), forest user groups, or other eligible entities—as administered by the respective DFOs (see Figure 9). Performance-based payments to forest user groups will be disbursed by the DFOs through the FDF, directly into the bank accounts of the respective groups. To ensure transparency, efficiency, and ease of access, REDD IC will develop a digital system to manage and track the flow of payments.
- The forest user groups (including BZ) mobilize their ER payments in accordance with the current benefit sharing plan and existing fund mobilization policy. Similarly, the performance-based payment for the private forestry owners and other people living on the jurisdictional boundary of ERP area will be transferred into the account of respective municipalities which in turn will distribute the benefits in line with the benefit sharing plan. The sub-division office facilitates the process of benefit distribution and provides technical backstopping to the municipality.
- **Private forest owners.** Upon review and approval by the municipality, DFOs (as REDD cell) will send consolidated data (based on private forest database and Business Plans) to REDD IC. Municipalities will disburse the benefits allocated to the identified private forest owners in the form of goods (seedling), technology (training), and facilitation in support of sub DFO. **Basic allocation:** In consultation with respective local governments, DFOs (REDD cell) will prepare lists of potential beneficiaries (households) and corresponding non-monetary benefits (goods and services). The Division Forest Offices (DFOs) will facilitate and coordinate all local Benefit Distribution Plans (BDPs) related to basic allocations to the respective local levels. The local levels will then review and recommend these plans to the REDD Implementation Center (REDD IC).

- The Benefit Distribution Plans will be shared with the REDD IC for review and approval. Based on the approved recommendations from REDD IC, the FDF Secretariat will facilitate the disbursement of benefits to the respective municipalities. **Operation and transaction costs:** In accordance with decisions of the FDF PDIC, funds for operational and transaction costs will be disbursed to the REDD IC provincial (REDD-Desk), and REDD Cell in DFOs), based on the scope of the activities implemented at the respective levels.

Monitoring framework

- The first and second monitoring, reporting, and third-party verification of ERs will be carried out in 2023 and December 2024 respectively (Figure 1).
- The overall ER performance will be supervised jointly by MOFE and REDD IC. Reports will be submitted to the FDF or the Ministry of Forests and Environment (MoFE) to facilitate the distribution of ER payments.
- The Forest Research and Training Centre (FRTC) is the national MRV agency responsible for conducting Measurement, Reporting, and Verification (MRV) for the Emission Reductions (ER) Program. REDD IC will serve as the management authority for MRV and will handle all related coordination activities.
- Performance-based assessments of forest management units under community jurisdiction will be carried out by the respective Division Forest Offices (DFOs) through their REDD Cells.
For buffer zone areas, only those officially declared and published in the gazette under the Protected Area (PA) system will be considered as the basis for benefit distribution.
Payments for reported and verified Emission Reductions (ERs) will be made for two reporting periods, following the verification and validation of the Emission Reductions Monitoring Reports by an independent third-party Verification and Validation Body (VVB).
REDD IC will serve as the lead authority for the monitoring, reporting, and overall management of all activities under the Emission Reductions Program (ERP).

Figure 1: MRV AND PAYMENT MILESTONES OF THE ER PROGRAM



- BSP-related activities will be monitored by the PMUs and Program Development and Implementation Committee at the federal level, respective municipality at local level, and by the REDD-Desk at the provincial level.
- The forest user groups' Investment Plans will be reviewed by the DFOs to ensure the planned forest management activities are in line with the activities proposed in the ERPD. This regular monitoring of plans will ensure BSP benefits reach the intended beneficiaries.
- The community-based monitoring and information systems (CBMIS) will be integrated into the mainstream MRV process by involving community-based forest management groups and their members and IPs and local communities.
- Monitoring of the benefit-sharing-related safeguards is integrated into the overall monitoring framework.
- A Project Operation Manual (POM)/BSP implementation plan manual will be developed by August 2025 to guide the government authorities and local communities through specific implementation procedures under the ER.
-

Resolution of feedback and grievances

- Feedback and grievances regarding benefit sharing will be addressed by two entities, depending on the nature of the feedback/complaints—through forest authorities or the local government judicial committee.
- Complaints filed by *households* will be assessed and settled within the respective forest user groups through the subcommittee or ward (the lowest political unit) mediation committee.
- Complaints filed by *forest groups* will be addressed by DFO, a ward mediation committee, or local level judicial committee. DFO will refer unresolved grievances to the provincial Forest Directorate, as the final entity to settle the grievances through mediation.

- Any grievances that cannot be settled by the MoFE and the local level judicial committee may go through a formal judicial procedure (court) for appropriate remediation.
- All grievances received and resolutions will be documented at each level and regularly assess and refine the GRM system in terms of access and timely resolution. Additionally, assessment and reporting on the nature of grievances and key insights that indicate where changes in the operation or implementation of BSP are necessary will be done.

Capacity building

- The Environmental and Social Management Framework (ESMF) contains a detailed training and capacity-building framework for effective implementation of the ER Program. The BSP further identifies skill-development training and capacity development activities, with a portion of the funds allocated to cover operational costs earmarked for capacity building.
- Regarding the capacity of the FDF, manual for the operation of the FDF is under the process of approval.
- Once the operating procedures are released, the FDF and associated delivery arrangements will undergo financial management and procurement assessments by the World Bank as part of project due diligence. The Fiduciary assessment report of FDF will be submitted by August 2025.

Structure of the Document

The Benefit Sharing Plan (BSP) was approved in November 2024. However, at the time of approval, several key aspects lacked clarity. The mechanism of fund flow, particularly how the emission reduction (ER) payments would reach communities and forest managers, was not clearly defined. Additionally, the BSP did not sufficiently address how marginalized groups—especially Dalit, Indigenous Peoples (IPs), and women, including Dalit women—would benefit more directly and equitably from ER payments. These concerns have now been addressed in the updated document by incorporating clearer mechanisms to ensure fair and inclusive benefit distribution.

There was also a lack of clarity regarding the institutional roles of the Forest Development Fund (FDF), Program Delivery and Implementation Committee (PDIC), and the REDD Implementation Center (REDD IC), as their responsibilities were overlapping. In the revised version, these roles have been made more specific to promote efficient coordination and avoid duplication of efforts. Similarly, at the district level, it was previously unclear which unit would be responsible for overseeing the implementation of the BSP. To address this, an inclusive REDD Cell has now been proposed to be established at the district level, ensuring representation and participation of diverse local stakeholders in the process.

Furthermore, the process by which REDD IC would monitor and report on the distribution of ER payments was vague in the earlier version. The updated BSP includes a more structured approach for monitoring, reporting, and verification (MRV) to enhance transparency and accountability throughout the implementation process. This revised document is the result of a national workshop and central-level consultations organized by REDD IC. Once the World Bank provides its consent, REDD IC will submit the final document to the Ministry of Forests and Environment (MoFE) for formal approval, along with obtaining the necessary concurrence from the Ministry of Finance.

The BSP is divided into five chapters. Chapter 1 describes the context of the ER Program area and the distribution of forests with respect to local level jurisdictions. It also gives an overview of the general principles and legal context for the preparation of the BSP. Chapter 2 focuses on the beneficiary categories and end beneficiaries as well as the underlying eligibility criteria. Chapter 3 describes the FDF, which the stakeholders considered the best option for the distribution of benefits. This chapter also discusses the organizational representation, and roles and responsibilities of the entities involved in benefit-sharing. In addition, it provides an overview of the payment modalities and the monetary and non-monetary benefits to the identified beneficiaries. Chapter 4 presents the performance scenarios for emission reductions and their likely implications for the ER payments from the FCFP Carbon Fund. Finally, Chapter 5 covers the BSP reporting and monitoring process, including the links between MRV and BSP monitoring, safeguards, and the feedback and grievance redress mechanism (FGRM), as well as capacity building.

CHAPTER 1. INTRODUCTION

This document presents the Benefit Sharing Plan (BSP) for the implementation of the Emission Reductions (ER) Program in 13 districts of Nepal's Terai Arc Landscape (TAL)⁵ area. The ER Program is the country's first of its kind sub-national, results-based program, and it strives to achieve the ER targets through the implementation of an equitable BSP (key ER Program milestones are presented in Annex 1). This BSP was designed through a credible, legitimate, and reiterative process. It meets the requirements of the Forest Carbon Partnership Facility (FCPF) Methodological Framework (criteria 29–33) and fulfills one of the prerequisites for the signing of the Emission Reductions Payment Agreement (ERPA) for the ER Program in 2021.

The BSP builds on the indicative benefit sharing arrangements proposed in the Emission Reductions Program Document (ERPD) for the ER Program and includes information on aspects emphasized in the FCPF Methodological Framework and the Facility Management Team Note (July 2019). It is the result and synthesis of recommendations and suggestions made by multiple stakeholders including, indigenous peoples (IPs) and marginalized groups (i.e., women, Dalits,⁶ Madhesis,⁷ and Muslims), forest user groups and their federations (active at local, provincial, and federal levels of government) during participatory and inclusive consultations led by experts.

1.1 Overview of ER Program Area – TAL districts

The TAL area in which the ER program is being implemented covers 13 districts west of the Bagmati River (Figure 2). The ER Program covers an area of about 2 million ha that spans the through part or full of Rautahat to Kanchanpur districts on the southern slope of Churia hills. However, for the purpose of ER Program, the jurisdictional boundary of entire district has been considered. The ER program districts are Rautahat, Bara, Parsa, Chitwan, Nawalparasi (East of Bardaghat Susta), Nawalparasi (West of Bardaghat Susta), Rupendehi, Kapilvastu, Dang, Banke, Bardia, Kailali and Kanchanpur. These districts are in five provinces (Madhesh, Bagmati, Gandaki, Lumbini and Sudurpaschim Provinces). The 13 districts include 144 local municipal governments and their jurisdictional boundaries. The ERP area is home to diverse social groups and ethnic groups. IPs comprise about 31% of its total population, while Dalits and Muslims represent 12% and 8.6% respectively.

Of the total land area, forests cover about 1.17 million ha—0.34 million ha of forests lie in protected areas (five National Parks: Parsa, Chitwan, Banke, Bardia and Suklaphanta, and Blackbuck Conservation Area) and 0.45 million ha of forests, including protected forests, lie in areas managed by the government. The remaining forests (0.38 million ha) are managed under community-based forest management; among others, 2,184 community forest user groups (CFUGs) managing 321,115 ha of forests, 18 collaborative forest user groups (CollFUGs) managing 58,242 ha of forests, and 159 leasehold forest user groups (LHFUGs)

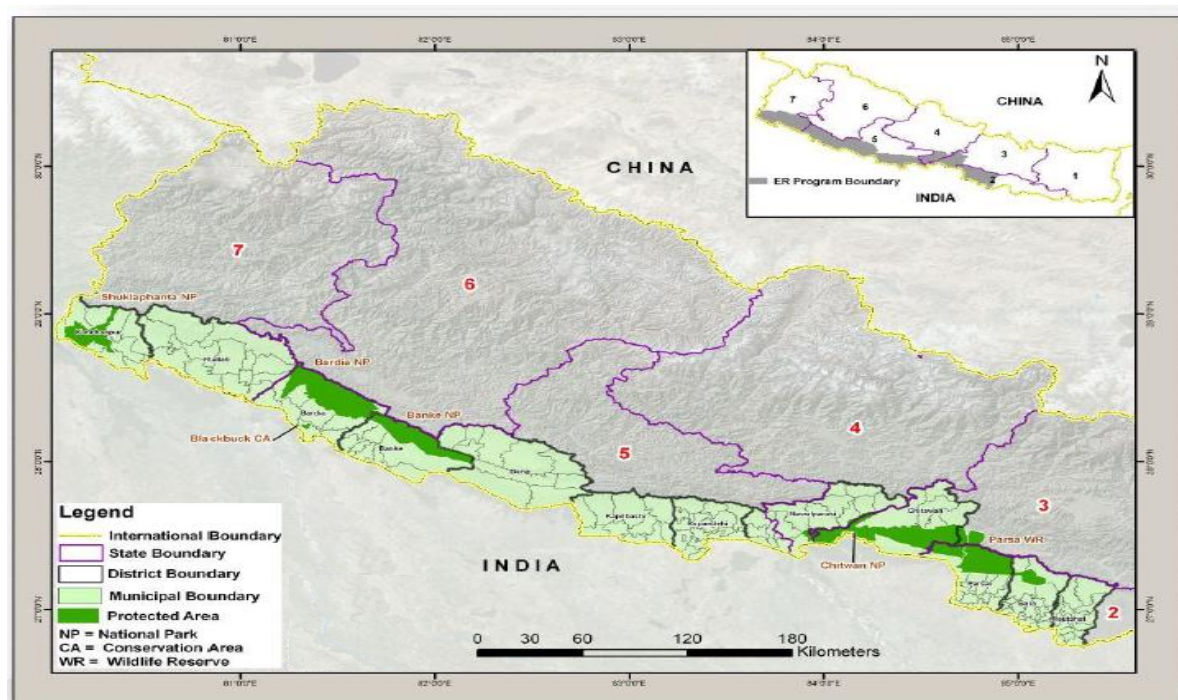
⁵ The Terai Arc Landscape refers to a stretch of lowlands in the southernmost part of Nepal. It covers the area with the highest biodiversity in the country.

⁶ Dalit, which means "broken/scattered" in Sanskrit and Hindi, is a term mostly used for the ethnic groups in India and Nepal that are oppressed. They are also known as "untouchables," and are members of the lowest social group in the Hindu caste system.

⁷ The Madheshis are people of Indian ancestry residing in the Terai of Nepal and comprising various cultural groups such as Hindu caste groups, Muslims, merchants and indigenous people of the Terai. The Madhesis are socially and economically marginalized.

managing 600 ha of forests (ERPD, 2018). A small portion of the forests in the ER Program area is managed as religious forests.⁸

Figure 2: THE 13 TAL DISTRICTS WHERE ER PROGRAM WILL BE IMPLEMENTED



The distribution of forests in the 13 districts is unequal (Table 1). Of the 144 local jurisdictions, 39 do not possess any national forest area⁹. The percentage of forest cover across the districts ranges from 19.30% in Rupandehi to 64.64% in Dang.

Table 1: Forest Profile According to Local Government

District	Name of Province	# of local jurisdictions	# of local jurisdictions without forest	Total land area (ha)	Forest area outside Pas (ha)	% of forest cover
Rautahat	Madhesh	18	11	103,503	26,083	25.20
Bara	Madhesh	16	13	115,787	46,132	39.84

⁸ A religious forest is a patch of forest that protects biodiversity and is conserved by local people based on their indigenous cultural and religious beliefs and taboos.

⁹As per Article 2 of Forest Act, 2019, national forests denote the forests managed by the governments consisting of protected areas, protected forests, forest conservation area, community forests, collaborative forests, leasehold forests, religious forests, and provincial and interprovincial forests.

Parsa	Madhesh	14	7	7826 9	17,224	22.00
Chitwan	Bagmati	7	0	133,0 71	66,903	50.27
Nawalparasi (East of Bardaghat Susta)	Gandaki	8	0	132,9 02	76,488	57.55
Nawalparasi (West of Bardaghat Susta)	Lumbini	7	0	72,48 3	21,859	30.15
Rupandehi	Lumbini	16	5	129,3 67	24,976	19.30
Kapilvastu	Lumbini	10	3	164,6 42	60,448	36.71
Dang	Lumbini	10	0	299,2 34	193,450	64.64
Banke	Lumbini	8	1	187,3 77	115,776	61.78
Bardia	Lumbini	8	0	110,0 36	31,729	28.83
Kailali	Sudurpaschhim	13	0	327,3 13	197,309	60.28
Kanchanpur	Sudurpaschhim	9	0	121,4 26	40,914	33.69
Total	144	39	1,975,410	919,2 91	46.53	

Source: Department of Forest Research and Survey DFRS (2018).

The ER Program aims to reach a total volume of ERs of 34.2 MtCO₂e in 10 years, which covers the ER performance achieved from ERPD approval date (June 2018¹⁰) through seven sets of interventions (Table 2). This ambitious ER Program target was set against a forest reference level (FRL) of 0.89 MtCO₂e/year, which was estimated based on historical data from 2004 to 2014 (ERPD, 2018). Of this overall ER target, 23% (7.9 MtCO₂e) will be set aside in an uncertainty and risk reversal buffer, while 9 MtCO₂e will be potentially available under the ERPA. By offering 9 MtCO₂e at a unit price of USD 5, Nepal anticipates USD 45 million from the FCPF Carbon Fund over the ERPA term. While Nepal will seek a second buyer for any remaining

¹⁰ Nepal proposes the start date of the ER accounting period to be the date of ERPD selected into the portfolio by Carbon Fund Participants, June 2018. The safeguard audit (expected by May 2020) will confirm that ER Program measures implemented since the ERPD selection date are in compliance with ESF and World Bank safeguard policies. The benefits from generating ERs prior to ERPA signature will be distributed in the same manner as future benefits.

volume or ERs generated by the program after the ERPA term, this BSP has no bearing on the distribution of benefits associated with the purchase of ERs by a second buyer.

Table 2: Proposed interventions and role of collaborating partners for ER Program Implementation

S.N.	Intervention	Government Forest Agency	Forest user	Private sector	Local government	Individual Household
1	Improve management practices in existing community and collaborative forests by building on traditional and customary practices	√	√			
2	Localize forest governance through transfer of national forests to community and collaborative forest user groups	√	√			
3	Expand private sector forestry operations through improved access to extension services and finance	√		√	√	√
4a	Expand access to alternative energy with biogas		√	√		√
4b	Expand access to alternative energy with improved cook-stoves		√	√		√
5	Scale up pro-poor leasehold forestry	√	√			
6	Improve integrated land use planning to reduce forest conversion associated with infrastructure development	√	√		√	
7	Improve management of Protected Areas (PA)	√				

1.2 Purpose of the Benefit Sharing Plan (BSP)

This BSP intends to ensure that the monetary benefits mentioned above are distributed to the identified beneficiaries in an efficient, equitable, clear, and transparent way through inclusive institutional bodies managing the flow of funds. Additionally, the BSP aims to incentivize local communities and government authorities to implement forest activities that address the drivers of deforestation and forest degradation and barriers to forest conservation, sustainable forest management, and enhancement of carbon stocks such that additional ER are achieved, and carbon stocks are enhanced.

The BSP complies with Nepal's Constitution and existing forestry sector laws and policies. As Nepal has transitioned into a federal republic arrangement, the BSP maintains a level of flexibility to comply with future policies. Moreover, the BSP attempts to reconcile current benefit sharing practices between the government and local communities (forest user groups), as well as within forest groups, and create additional benefits for local communities that will incentivize their long-term forest management.

1.3 Underlying Principles of the BSP

This BSP specifically relates to the distribution of funds derived from the World Bank's FCPF. It does not pertain to the distribution of non-carbon benefits generated by the implementation of the ER Program¹¹. This

¹¹ Potential non-carbon benefits of the ER Program are listed in Annex 2

BSP is based on three principles: (i) let funds follow functions; (ii) do no harm; and (iii) be fair, whereby the distribution of benefits is underpinned by the specific systems, roles and functions agreed by the stakeholders represented in the multi-level institutional arrangements. The BSP has taken into account the interdependence of social, economic, and political circumstances of the ERP districts; Nepal's Constitution, national laws and legal provisions; criteria 30–35 of the FCPF Methodological Framework; and the FCPF requirements (FMT Note CF-2019-1). The payment mode and disbursement approach focus on contributing to a long-term solution—addressing the underlying causes and drivers of deforestation and forest degradation and strengthening the local capacity to enhance carbon stocks.

Key principles of the BSP are the following:

- Full compliance with national policies.
- The entire process will be fully transparent, participatory and inclusive.
- Responsive to the different roles, contributions, and degrees of forest dependency of different stakeholders with the forests of the ER Program area
- Implementation of ER activities is the key performance indicators and are considered as precondition for receiving benefits, as are equity and efficiency of distribution
- Contributors to sustainable forest management including local communities receives benefits. The BSP considers social just and humanity as its core of the principles.

1.4 Legal Context for Benefit Sharing of ERP in Nepal

Nepal's forest-land ownership remains with the State and individual households (as a privately held forest). State forests are managed through two regimes: *government*-managed and *community*-managed. The community-managed forests (community forests, leasehold forests, collaborative forests, buffer zone community forests and religious forests) are endowed with four categories of tenure rights—access, management, utilization, and exclusion—except for rights related to the alienation or transformation of forest lands into other forms of land.

The most relevant legal documents in the context of sharing of costs and benefits under the ER Program include the Constitution of Nepal, the 2019 Forest Act, the 2019 Environmental Protection Act, the 2017 Inter-Governmental Fiscal Arrangement Act, the 2017 National Natural Resources and Fiscal Commission Act, and the 2017 Local Government Operation Act (see Annex 3 for details).

Sections 25 and 28 of the 2019 Environmental Protection Act include provisions to implement climate mitigation actions and participate in carbon trade through any mechanism established on the basis of an international treaty; foreign governments or institutions; commercial or private sector entities pursuing carbon ER and sequestration.

The Constitution of Nepal (art. 51(g)(1)) states that the State will give priority and preferential rights to local communities during the equitable distribution of benefits generated from natural resources, considering the national interest. Schedule 5 of the Constitution provides the federal government with the sole right to regulate the national forest policy and carbon services. However, article 59(4) further explains that certain portions of the benefits generated from the use or development of natural resources shall be distributed in the form of

royalty, services, or goods to the areas and local communities affected by the pertinent project. The benefits generated from the implementation of the ER Program will thus be shared with local communities and other relevant beneficiaries, as defined in this BSP.

Pursuant to section 44 of the Forest Act 2019, the government of Nepal can develop the distribution mechanism for the sharing of benefits generated from the country's carbon stock and emission reduction. The Act includes a provision for the establishment of a Forest Development Fund (FDF) as a possible mechanism to distribute benefits to local communities, in pursuit of the objectives of the Forest Act (2019), and to implement other activities for forest enhancement. The Fund's financing, governance system and decision-making process, bank account operation, auditing and other provisions for its operation are defined in section 45 of the 2019 Forest Act. Funding sources of the FDF may include funds from the federal, provincial, and local government, as well as from individuals and organizations, grants and loans from international organizations and individuals, and revenue generated from the sale of forest goods and services (including carbon-related services). Operational Guidelines of the FDF are being developed based on the Forest Act 2019 and Forest Regulation 2022 (See Summary of FDF in Box 2). The FDF Operational Guidelines once ratified by the government will ensure the establishment and operationalization of the FDF.

Two other possible alternatives to distribute ER payments to the identified beneficiaries were considered: the Environmental Protection Fund and a conditional grant. Section 31 of the 2019 Environment Protection Act includes a provision for the Environmental Protection Fund to administer funds related to environmental protection, pollution prevention and control, climate change management, and protection of national treasures. In addition, section 9 of the 2017 Intergovernmental Fiscal Arrangement Act mandates conditional grants. It stipulates that the Government of Nepal shall provide conditional grants to state and local jurisdictions to implement any state, local, or federal project, as prescribed by the Commission, pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution. However, through a participatory stakeholder consultation process, the FDF was identified as the main, most suitable option, preferred by stakeholders at all levels (see Annexes 5–9). The distribution of benefits through the FDF is also in line with the current constitutional power-sharing system, which facilitates the efficient distribution of benefits from the federal to the local/community level through the provincial level.

The BSP recognizes the decision-making role of local governments in the ER benefit-sharing process, particularly Municipality and/or Rural Municipalities. The BSP builds on the functional linkages among the local, provincial, and federal levels to transfer the benefits from an international source to beneficiaries.

1.5 Design Process of the BSP

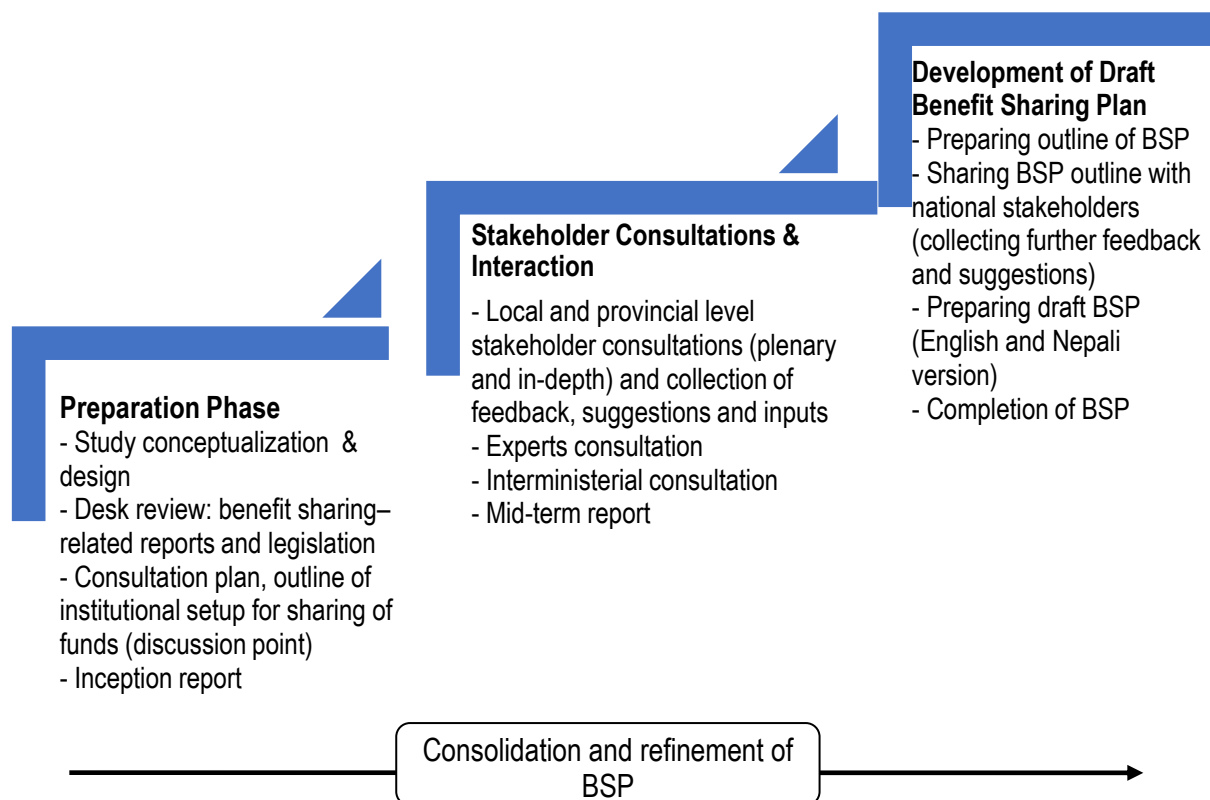
The BSP was developed through bottom-up, participatory consultations held at the local, provincial and national level and involved multiple stakeholders including IPs, local communities, and CSOs, as well as government, private sector and social and technical thematic experts (see Annexes 5, 9, 10, 11 and 13). The BSP-design approach was based on a thorough and iterative process, whereby the initially conceived benefit-distribution mechanism was consolidated and refined by taking into account suggestions and concerns voiced during stakeholder consultations.

The initial draft of the BSP was conceptualized considering existing legislative provisions, as identified through a desk-based review of available relevant national and international documents including legislative instruments, study reports, and guidelines (Figure 3). The second stage of the process involved stakeholder consultations that included extensive field studies, broad stakeholder consultations at the local, provincial, and federal level (including focus group discussion, deep-diving and key informant interviews), as well as interviews with multiple thematic experts at the federal level. The purpose of these consultations was to understand and collect the views and concerns of all stakeholders and use their suggestions and recommendations to consolidate the outlined plan. These consultations were carried out following the “Guidelines of Stakeholders Engagement in REDD+ Readiness,” suggested jointly by UN-REDD and the World Bank FCPF.

A total of six consultations were conducted in the field in ER Program areas represented by IPs and marginalized groups. Similarly, CSOs—among others, the Federation of Community Forest User Groups (FECOFUN), the Association of Collaborative Forest Users Nepal (ACOFUN), the Federation of Leasehold Forest User Groups (FLHFUG), and women’s networks, the private sector, and the government were consulted to seek suggestions and ascertain the views on the proposed distribution of funds mechanism, institutional setup and payment modalities. In addition, the consultations focused on the identification and categorization of end beneficiaries and evaluating the drivers of deforestation and forest degradation, but the beneficiary eligibility criteria were prioritized as the ERPD has already indicated the key drivers of deforestation and forest degradation (see Consultation Plan in Annex 4). Altogether 180 individuals, including 55 women, participated in these events. In addition, 61 IPs, 12 Dalits, and 13 Madhesis took part in the consultations.

Additionally, 3 focus group discussions and 2 in-depth interviews were organized at the local level with representatives from IPs, marginalized groups, and DFO officials. The purpose of these interviews was to manage stakeholder expectations and clarify the roles of IPs, Dalits, Madhesis, Muslims, women, and other local communities in the ER Program area.

Figure 3: DEVELOPMENT OF THE BSP



At the federal level, consultations with experts (representatives of the South Asia Institute for Advanced Studies (SIAS), The Centre for People and Forests (RECOFTC), the Nepal Foresters' Association (NFA), and as well representatives of CSOs (the Nepal Federation of Indigenous Nationalities (NEFIN), FECOFUN, ACOFUN, the Dalit NGO Federation (DNF), the Rastriya Dalit Network (RDN), the Dalit Alliance for Natural Resources (DANAR)), women's networks (e.g., the Himalayan Grassroots Women's Natural Resource Management Association (HIMAWANTI) and the National Indigenous Women Forum (NIWF), the Community-Based Forestry Supporters' Network, Nepal (CoFSUN), and the International Watershed Management Institute (IWMI) were conducted. A total of 45 participants, including 37 women, took part in the consultations. Different views and suggestions regarding beneficiary eligibility criteria, the institutional setup for the distribution of benefits, organizational representation, beneficiary selection, and payment modalities were collected and duly consolidated, accounting for the concerns and recommendations voiced at stakeholder consultations in the field. The concerns that were expressed at these consultations have enriched the BSP and enhanced the legitimacy of the BSP development process.

The Benefit Sharing Plan (BSP) was approved in November 2024. However, at the time of approval, several key aspects lacked clarity. The mechanism of fund flow, particularly how the emission reduction (ER) payments would reach communities and forest managers, was not clearly defined. Additionally, the BSP did not sufficiently address how marginalized groups—especially Dalit, Indigenous Peoples (IPs), and women, including Dalit women—would benefit more directly and equitably from ER payments. These concerns have now been addressed in the updated document by incorporating clearer mechanisms to ensure fair and inclusive benefit distribution.

There was also a lack of clarity regarding the institutional roles of the Forest Development Fund (FDF), Program Delivery and Implementation Committee (PDIC), and the REDD Implementation Center (REDD IC), as their responsibilities were overlapping. In the revised version, these roles have been made more specific to promote efficient coordination and avoid duplication of efforts. Similarly, at the district level, it was previously unclear which unit would be responsible for overseeing the implementation of the BSP. To address this, an inclusive REDD Cell has now been proposed to be established at the district level, ensuring representation and participation of diverse local stakeholders in the process.

Furthermore, the process by which REDD IC would monitor and report on the distribution of ER payments was vague in the earlier version. The updated BSP includes a more structured approach for monitoring, reporting, and verification (MRV) to enhance transparency and accountability throughout the implementation process. This revised document is the result of a national workshop and central-level consultations organized by REDD IC. Once the World Bank provides its consent, REDD IC will submit the final document to the Ministry of Forests and Environment (MoFE) for formal approval, along with obtaining the necessary concurrence from the Ministry of Finance.

Table 3: Summary of Concerns and Suggestions from Stakeholder Consultations

Discussion Level 1: ER Program districts (six plenary consultations) and focus group discussions

Participating organizations	Issues discussed	Key concerns and suggestions
IPs network: NEFIN (Nepalese Federation of Indigenous Nationalities)	Identification of beneficiaries based on forest management responsibilities (de jure and de facto)	Government-managed forests, community-managed forests (CFUGs, LFUGs, CollFUGs, BZCFUG, RFUGs) and privately and customarily managed forests
	Identification of beneficiaries within forest groups for intra-group equity - Large contribution to ER - High forest dependency - Social justice	- Raute, Sonaha, Lohar, Dalit, Chepang, disabled people, Tharu, Raji, Chidimar, and other IPs, Muslims, Madhesi, and poor forest households and their female members across all these groups, who are legal members of a forest group (managing community, collaborative, leasehold, and religious forests) or conserving forests through customary practices. - Forest-dependent households not belonging to a forest group should also be eligible for benefits.

	Institutional setup for the flow of funds	• Mandatory representation of NEFIN, Dalit network, FECOFUN, ACOFUN, HIMAWANTI • Less complex system of distribution, few layers to reduce operational costs and increase efficiency, transparency, and inclusion • Representation of government and civil society in steering committees should be at least equal; otherwise, higher CSO representation. • Province-level representative should take part in federal steering committee to increase ownership
	Share of benefits	• A higher share of benefits should go to the community (local level) • Separate benefits should go to the customarily managed forests (which should be inventoried) • Role of private forests should be considered in benefit distribution
	Main non-monetary benefits	Details given in section 2.4

Discussion Level 2: Federal

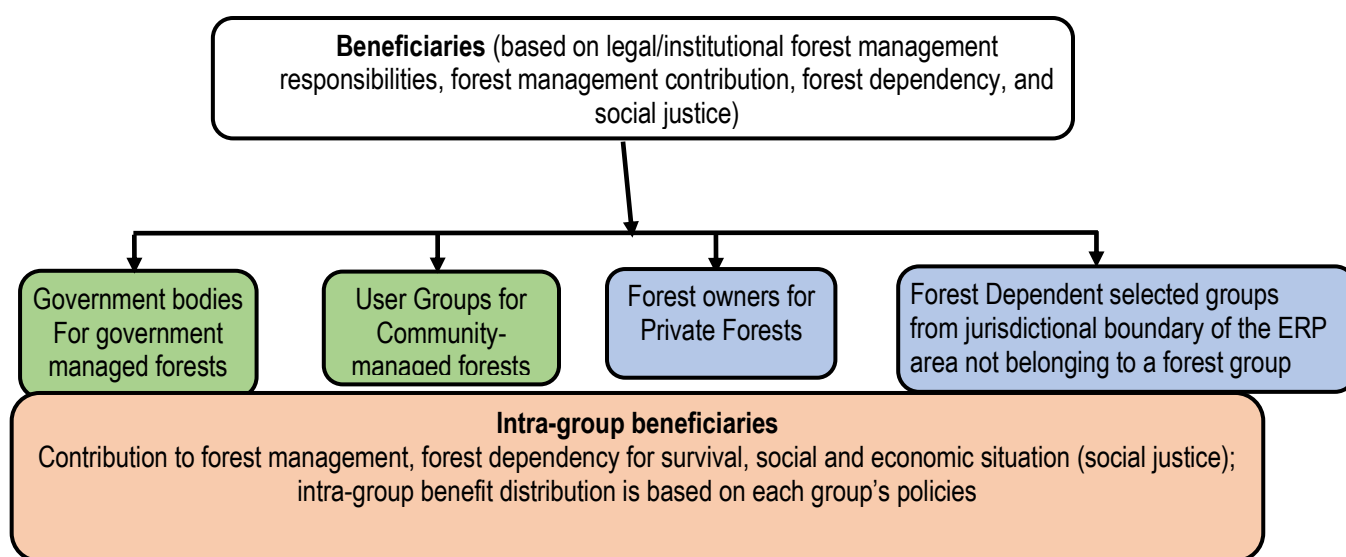
Participating organizations	Issues discussed	Key concerns and suggestions
CSOs (NEFIN, HIMAWANTI, FECOFUN, ACOFUN, COFSUN, RDN, DNF, NIWF); government (MoFE, FRTC); private sector; networks of professionals (NFA) and experts (IWMI, SIAS, and RECOFTC)	Beneficiaries	• Government-managed forests and community-managed forest groups (i.e., CFUGs, LHFUGs, CollFUGs, BZCFUGs, and RFUGs) and customarily managed forests • Distribution of benefits based on per unit area of forests should not be the same for government-managed and community-managed forests. Benefits should consider the historical contribution of community-managed forests to the sustainable management of forests.
	Institutional setup for benefit sharing	• At least 40 to 50% of representation of women in both federal and local level funds sharing steering committee • Representation of NEFIN & federations of forest user groups • Clarify the role of provincial Forest Directorate (REDD-Desk) • FLHFUG on the federal level steering committee
	Share of benefits	• Significant share of benefits should go to local communities • Basic allocation is a good idea to address the needs of forest-dependent households not belonging to forest groups

CHAPTER 2. BENEFICIARIES, BENEFITS AND COSTS OF THE ER PROGRAM

2.1 Selection of Beneficiaries

This BSP adopted a combination of legal management responsibilities, ER activities, and dependency and social justice to identify beneficiaries for the ER program (Figure 4). The beneficiaries includes the government bodies, community-managed forest groups, private forest owners, and forest-dependent households and communities outside of the forest user groups. In line with the stakeholders' recommendations, the BSP identifies intra-group beneficiaries—households and individuals (e.g., women) within community-managed forest groups—to enhance intra-group equity. Benefits will be mobilized by forest groups in accordance with current legal provisions on Forest Act and regulations.

Figure 4: BENEFICIARY CATEGORIES



2.1.1 Eligibility Criteria for Institutional Level Beneficiaries

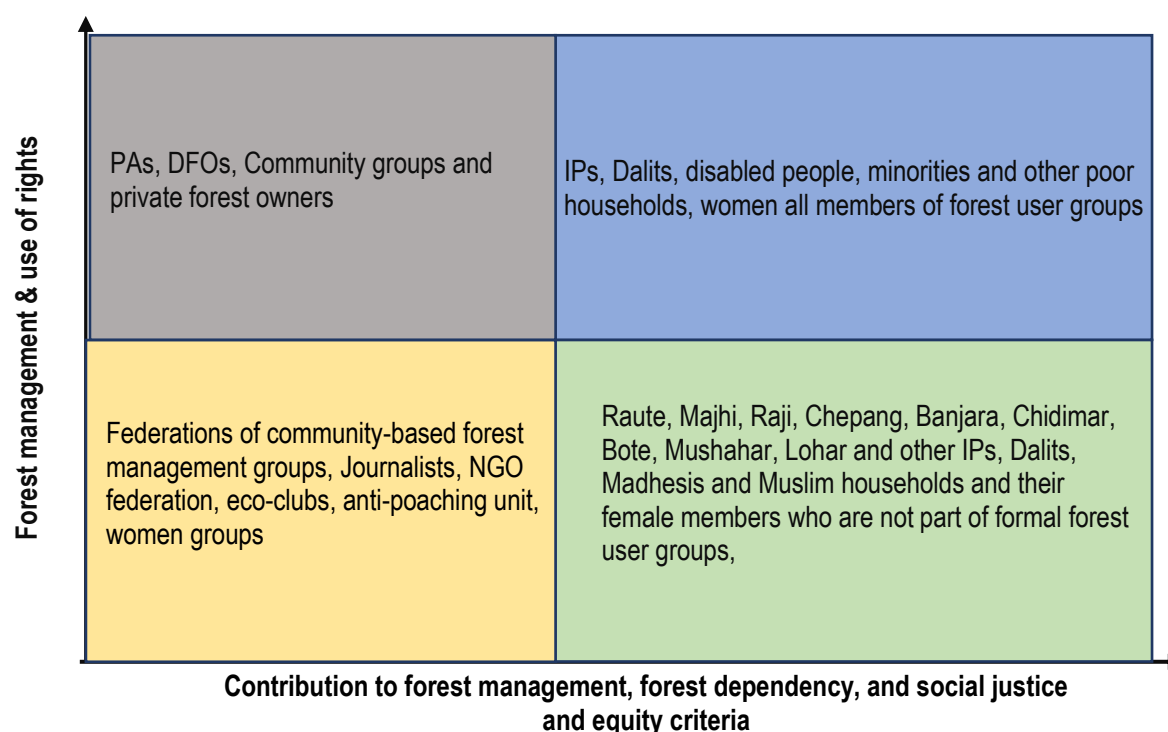
Institutional responsibility for forest management is the first beneficiary eligibility criterion that considers the formal management responsibilities. This level of beneficiaries includes the PA authorities, DFOs under provincial government for government-managed forests, and forest groups for community-managed forests, leasehold forests, collaborative forests, buffer zone community forests, and religious forests (Figure 5). There are altogether 2,361 forest groups (CFUGs: 2,184; LHFUGs: 159; Coll FUGs: 18; and various religious forest user groups (RFUGs) currently managing around 46% of forested land (0.38 million ha). Similarly, 0.454 million ha of forests, including protected forests, are managed by the government. Furthermore, in the case of public land forestry where local government are involved in afforestation/plantation and forest management activities in open space within their jurisdiction, concerned local level governments will also be eligible for ER payment as a beneficiary. All these beneficiaries fall in the top left and right quadrant of Figure 5.

The beneficiaries also includes private forest owners who wish to grow forests and trees on their private land, as shown in the top left quadrant (Figure 5). In addition, this category includes households, communities, and individuals that do not belong to a forest group but are highly forest-dependent for their livelihoods and

survival. The distribution of benefits to these households and communities aims to reduce their forest dependency and enhance their livelihood (equity), thereby also reducing emissions.

Stakeholders were involved deciding what groups are eligible in the latter category. They identified forest-dependent nomads (Raute), herders, free bonded laborers (Mukta-Kamaiya), Chidimar, Raji, Bote-Majhi, Musahar, Chepang, Banjara, and poor Dalits such as Sonaha, Dom, Halkhor, and Lohar (bottom right quadrant of Figure 5). These groups are not members of formal forest groups, for several reasons, but still rely on the forests of the ER Program area for their livelihood.

Figure 5: ELIGIBILITY CRITERIA AND IDENTIFIED BENEFICIARIES



2.1.2 Eligibility Criteria for Household and Individual Level Beneficiaries

The household members of the formal and informal forest user groups are the end beneficiaries. Whether they are eligible depends on their efforts and contribution (time and kind) to forest management, the degree of forest dependency for their survival, their social and economic status (social justice and equity aspects) and whether they have traditionally managed forests for cultural and spiritual reasons (Table 4). Many vulnerable groups, such as the female members of eligible households, are the end beneficiaries of the ER Program. Involving household beneficiaries within the forest user groups will enhance intra-forest groups' equity and social justice and reinforce their motivation toward forest conservation and ER. The beneficiaries of this category are shown in the top right quadrant of Figure 5.

Table 4: Recommended Beneficiary Categories and Their Level of Forest Dependency and Contribution and Social Justice Considerations

Beneficiary category 1: Government (DFO) (facilitating and implementing organization)

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
- Plan and implement forest management activities in coordination with the local government and local communities (community-managed forest groups—i.e., CFUGs, CollFUGs, LHFUGs). - Facilitate the linking of local forest user groups with local government officials and provide technical backstopping to them to implement forest activities.	- Avoid risk reversal activities with the benefits (e.g., purchasing of chain saw, investment in forest road construction, mining equipment, hunting equipment) - Include forest conservation activities in Annual Plan - Establishment of multi-species nursery and mixed plantation - Avoid ineligible activities as stated in Table 9. - Also act as DPMU	High (de jure)	High (facilitate implementation of ER-related forest management interventions)	No	Low

Beneficiary category 2: Community-managed groups

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
• CFUGs, CollFUGs, LHFUGs, BZCFUGs and RFUGs involve in protection, management and utilization of forest resources • Implementation of forest activities to reduce emissions and enhance carbon stocks • Monitor and ensure the “Do no harm” principle is respected when forest products are used for survival during implementation of the ER Program. • Ensure equitable benefit sharing within groups among households considering their contribution, forest dependency, and social justice.	• Development of Investment Plans with detailed forest conservation activities and submit it to DFO (DPMU) • Use of ER benefits to avoid risk reversal (not to risk reversal activities such as purchase of chain saw, investment in forest road construction, mining equipment, hunting equipment), but use of benefits to nursery establishment, plantation, river control, restoration and carbon enhancement activities) • Enrichment plantation of mixed tree species • Ensure sustainable harvesting practices in accordance with Forest Operation and Sustainable Forest Management Plan (e.g., protect trees nearby water sources) • Engage in forest measurement and monitoring • Avoid ineligible activities as stated in Table 9.	High (de jure)	High (motivate and mobilize household members for forest conservation)	High (ensure current use of forest products is not jeopardized)	High: facilitate social justice (by identifying socially and economically vulnerable households for benefits)

Beneficiary category 3: Forest-dependent poor households (other than forest groups), including IPs, Dalits, Madhesis, and Muslims and their women

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice

Poor households not-belonging to a forest group but rely on forests of the ER Program for their survival. They are responsible for implementing non-forest activities to survive with the support of the ER Program and local DFOS.	• Involve in forest management activities • Use of benefits that support reducing forest dependency (income generation outside forest, energy) • Avoid ineligible activities as stated in Table 9. •	Low (no rights)	Medium	High	Medium
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Beneficiary category 4: Private Forest Owners

Conditions for beneficiaries to achieve ER benefits	Eligibility criteria for beneficiaries	Level (Low, medium and high)			
		Legal (de jure or de facto)	Contribution	Dependency for survival	Social justice
Implement the private forest initiatives such that forest dependency in the ER Program area is reduced.	• Develop Business Plan with details of forest development activities, tree species, and submit to DFO (DPMU) • Plantation of native and mixed plant species • Avoid ineligible activities as stated in Table 9. • Consult and seek technical support from DFO and forest groups.	High for private forests	Medium	Medium	Low

2.2 Types of Benefits

Based on recommendations from stakeholders, this BSP recognizes both monetary and non-monetary benefits under the ER Program. The distribution of non-monetary benefits—in the form of goods and services—intends to create new job opportunities, change behavior, incentivize desirable actions, enhance skills, facilitate community empowerment, and provide concrete benefits to households, community-managed forest groups, executive committee members of community-managed forest groups, federations of forest groups, private owners, and government officials. The different types of non-monetary benefits and their respective beneficiaries are shown in Table 5. Both federal and local fund management steering committees will decide on the share of benefits to be distributed to each of the eligible beneficiaries (see section 3).

Table 5: NON-MONETARY BENEFITS TO BENEFICIARIES

Capacity-building/ Training

Type of non-monetary benefits	Relevant target group for non-monetary benefits	Type of beneficiaries	Rationale (for distributing these benefits to these beneficiaries)
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Capacity-building training, skill-based and income-generating activities, employment	Poor (low-income) households	Households in community-managed forest groups	Survival-oriented Forest dependency is a key driver of forest degradation in the ER Program area. Developing alternative livelihood opportunities through skill enhancement and promoting employment opportunities and income-generating activities can substantially contribute to the ER target.
Income generation, livelihood-improvement training (e.g., leaf plate making, modern fishing technology for Bote-Majhi, modern iron working technologies and skills for blacksmiths and other typical Dalit occupations) and employment.	Preparation of local resource persons in each forest user group engaging IPs and marginalized groups (women, Dalits, Madhesis, Muslims, and other poor households for employment generation, Bote-Majhi, Blacksmith and other Dalits.	Households in community-managed forest groups	As pointed out in row 1, income generation activities and promotion of livelihood opportunities— specifically for the Dalit, the poor, and marginalized households— could be one of the intervention strategies pursued to reduce forest dependency and enhance livelihoods aimed at long-term ER.
Capacity-building training (to enhance rights over natural resources)	IPs, women, Dalits, poor and other marginalized households	Households and household members (e.g., women) in community-managed forest groups	In some cases, marginalized households of Dalits, IPs, and women do have access to good-quality natural resources including forests. Ensuring their access to these resources enhances ownership of forest management, thereby contributing to ER.
Leadership training and skill-based training	IPs, Dalits, Madhesis, Muslims, and women with priority to poor, domestic violence affected and conflict victims	Households and household members (i.e., women) in community-managed forest groups	This type of training is to empower women, and marginalized households of Dalit, Madhesis and Muslims to encourage them for the participation of social and resource management activities.

Training on social analysis skills	Government staff, FECOFUN, ACOFUN, FLHFUG, HIMAWANTI, and executive committees of forest user groups	Federation of forest groups and executive committee members of community-managed forest groups	Federation and executive committee are the gatekeepers regarding women's participation. In some cases, the lack of understanding of the importance of social inclusion explains the inadequate participation of women in the executive committees of forest user groups and their federations. Training these male-dominated groups enhance their social analysis skill.
Forest management training including forest fire management training	All members of forest user groups with 50% women from diverse forest-dependent communities	Government and community-managed forest groups	Fires have been identified as one of the threats to forest conservation in the ER Program. Thus, providing fire control equipment to forest groups and their federation and DFO staff is urgent to control the risk of fires in the ER Program.
Allocation of benefits to operationalize revolving fund—for income-generating activities	Forest users with 50% women from diverse forest-dependent communities	Community-managed Forest groups	Development of a revolving fund and its operationalization for poverty reduction and income-generating activities is a long-term strategy of livelihood improvement.
Account-keeping training	Executive committee members (treasurers)	Community-managed Forest groups	Every forest user group has to submit an audit report on ER benefits, which requires account-keeping skills.
REDD+ training	Federations of community-managed forest user groups (FECOFUN, ACOFUN, and FLHFUG), HIMAWANTI, IPs, Dalits, Madhesis,	Federations of community-managed forest groups, households	Most members of FECOFUN and household members are not familiar with the concepts of climate change and REDD+. As the forest user groups (federations) are facilitators and recipients

	Muslims, women, and poor households of forest user groups		(member households of forest groups), they need to understand REDD+ to cultivate their roles and responsibilities in the ER Program.
Training on geographic information systems (GISs) and remote sensing	Staff and technicians	Government	DFO staff need training on geographic information systems (GISs) and remote sensing, as these are part of the ER Program's MRV and forest inventorying.
Conservation of traditional knowledge	IPs (particularly women)	IP households, community-managed forest groups	Ensure safeguards are in place to protect and preserve traditional knowledge systems of forest management
Training on sustainable forest management	Forest user groups with 50% women from various forest-dependent communities	Community-managed Forest groups and government	Enhance skills of forest group member households and DFO staff
Carbon measurement training	Local resource persons, 50% of whom should be women from diverse social groups	Government and community-managed forest groups	The BSP suggests mobilizing local resource persons for MRV and community-based forest monitoring. Basic forest inventorying and carbon measurement are crucial to enhancing their skills.
Nursery establishment and seedling production and distribution	Private forest owners and community-managed forest groups in which 50% should be women from various forest-dependent communities	Government, private forest owners and forest users	As identified by the ERPD, the promotion of private forest initiatives is one of the ER Program's key activities. The establishment of nurseries and the distribution of seedlings are important activities in this context.

Goods and Services

Type of non-monetary benefits	Relevant target group for non-monetary benefits	Type of beneficiaries	Rationale (for distributing these benefits to these beneficiaries)
Forest fire control equipment and fire lines construction	Forest users, 50% of whom should be women from various forest-dependent communities; forest watchers, and households nearby the forests who are likely affected by the forest-fire incidents (poor households including IPs, Dalit , Muslims, Madhesi and their women members.	Community-managed Forest groups members living nearby the forests	Reduce forest degradation resulting from fire incidents
Seedling distribution	Private forest owners, including women from various forest-dependent groups	Private forest owners	Increase easy access of private forest owners to seedlings and sustainable plantation techniques
Weeding and cleaning instruments	Community-managed Forest Users groups in which women from diverse forest-dependent communities make up 50% of the members.	Community-managed Forest groups	Enhance forest management skills
Medicinal processing technology and materials	Local communities with 50% women from various forest-dependent communities.	Community and forest groups and their member households	Increase income-generating activities
Briquette, biogas, and improved cookstove	Forest user groups members with 50% women from various forest-dependent communities.	Forest-dependent households in- and outside of forest user groups	Reduce forest dependency on fuel wood
Collection of firewood from rivers for forest-dependent communities other than forest groups	Firewood-dependent households other than forest group members	Households not belonging to forest groups	Reduce fuel wood pressure on community-managed forests and government-managed forests

Provide manual forge blower to blacksmiths using coal for iron work, finding alternative income sources and offer skill-based training	Coal collectors (blacksmith) and Raji-mud pot making	Households and communities not belonging to forest user groups - Occupational caste groups	Promote traditional occupations and diversify people's livelihood opportunities, thereby reducing their dependency on forests
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As indicated in Figure 5, the federations of forest groups, the Federation of IPs and executive members of forest user groups placed in the top left quadrants are not eligible for *monetary* benefits from the ER Program. However, stakeholders have concluded that assigning non-monetary benefits to them for their roles are still crucial to the implementation of the ER Program. Other beneficiaries of *non-monetary* benefits—based on their roles in the ER Program implementation—are the government (DFO), the federations of forest users, private forest owners, among others. Table 6 shows the beneficiary categories that are eligible for monetary and non-monetary benefits generated by the ER Program.

Table 6: Monetary and Non-Monetary Beneficiaries of the ER Program

SN	Beneficiaries	Monetary	Non-monetary
1	Government forest agencies (PA Authorities and DFOs)	√	√
2	Community-managed Forest groups including users of customary forest management practices (CFUGs, CollFUGs, LHFUGs, BZCFUGs, and RFUGs)	√	√
3	Households and communities outside the forest user groups	x	√
4	Private forest owners	x	√

2.3 Allocation of Benefits

Benefits will be distributed in both monetary and non-monetary forms. Monetary benefits will be distributed based on the performance on the emissions reductions by the DFOs (Government managed forests) and Community based Forst Users Groups (including Buffer-zone Community Forests). 80% of the total payments received at the FDF will be allocated for government managed forests and CBMF groups based on the performance on emissions reduction as indicated in table 6 above. Furthermore, out of the total payments received at the FDF, 5% would be allocated to private forest owners of the program area, and another 5% to forest-dependent communities not belonging to the Community based forest users' groups of the ER program area in the form of non-monetary benefits.

The beneficiaries who receive 5% basic allocation are not the same as those who receive performance allocation. These are two different categories of beneficiaries, and no beneficiary would receive payment under both performance allocation and basic allocation. A further 10% will be allocated to federal, provincial and local government to cover the operational and management costs. The cost of activities for MRV, forest database management, forests carbon assessment, implementation and monitoring of environmental and social safeguards, implementation and monitoring of the ER Program, and resolution of benefit sharing–

related complaints and grievances come under the transaction costs; and are managed by the government budget. This distribution of benefits is illustrated in Figure 6 and detailed in sections 2.3.1 - 2.3.5.

Total benefits received as the results-based payments from the Carbon Fund of the FCPF will be directly deposited in the designated account of the Forest Development Fund (FDF) as per the Emission Reduction Payment Agreement (ERPA) signed by the Government of Nepal and the World Bank on February 21, 2021.

The Division Forest Office (DFO)/PA authorities or the beneficiaries shall submit their Investment Plans to the REDD Implementation Center (REDD IC) for approval. REDD IC will review and approve the Investment Plans for each beneficiary. Upon approval, REDD IC will recommend either an advanced or final payment to the Forest Development Fund (FDF).

REDD IC will serve as the Project management unit or authority for Emission Reduction (ER) payments, including monitoring and reporting to the Ministry and other concerned authorities. Following its established procedures, FDF will disburse funds to the bank accounts of the beneficiaries as recommended by REDD IC. REDD IC will oversee and monitor the utilization of ER payments and will also be responsible for developing a system for recording, Tracking and monitoring of Payments which will be integrated with FDF payment mechanism

FDF will allocate the necessary funds to cover management, monitoring, and system development costs incurred by REDD IC. Of the total ER payments deposited in Forest Development Fund, 80% will be disbursed for the performance-based allocation to the government forest entities and community-based forest user groups, 5% for private forest owners, another 5% for forest dependent households and communities outside the user groups with the recommendation and approval from REDD IC. The remaining 10% of the payments received at FDF will be allocated for operations and management purposes. The FDF Guideline will specify the allocation of operational costs for both the REDD Implementation Center (REDD IC) and the FDF Secretariat from the 10% set aside for operation and management expenses out of the total Emission Reduction (ER) payments. Specifically, for REDD IC, the transaction, management, and operational costs should not be less than 7% of the total ER payment.

The designated account of the Forest Development Fund (FDF) will receive payments from the FCPF Carbon Fund based on the volume of verified Emission Reductions (ERs). FDF will be responsible for transferring ER payments to beneficiaries, as per the recommendations and approved activities provided by the REDD Implementation Center (REDD IC). REDD IC will establish an online banking or financial system for benefit distribution, payment flow, and record-keeping for all concerned beneficiaries for recording and monitoring purposes. This system will act like cash less grant and fund distribution platform. Additionally, REDD IC will select a service provider to support the tracking and recording of payment flows and expenditures. The cost of this service provider will be covered under the management cost allocated from the ER payment. According to the latest Benefit Sharing Plan (BSP), REDD IC will serve as the Project Management Unit (PMU) for the Forest Development Fund (FDF), supporting the Fund in implementing benefit distribution in line with the BSP. REDD IC has sufficient capacity to assist the FDF in directly disbursing funds to beneficiaries' bank accounts. In accordance with the 2019 Forest Act and the 2022 Forest Regulation, FDF has the system for managing expenditures and maintaining detailed records for Emission Reductions (ER) payments. The Program Development and Implementation Committee (PDIC) of the FDF is required to submit expenditure

and supporting documentation on a monthly, quarterly, and annual basis. Financial transactions will first be audited internally by the Financial Comptroller General Office, followed by a final audit conducted by the Office of the Auditor General.

REDD IC will establish a new system integrated with the FDF's existing system to manage and track the entire benefit distribution process. This system will maintain records of all investment plans submitted by eligible beneficiaries, document approved plans, monitor financial transactions made by the FDF to beneficiaries, and store supporting documentation for all beneficiaries. These procedures will be outlined in detail in the Program Operational Manual (BSP Implementation Manual). Once the FDF's Designated Account receives the Emission Reduction (ER) payments, a dedicated account will be assigned by the Financial Comptroller General Office (FCGO) to facilitate further disbursements from the FDF. The FDF will channel these funds to eligible beneficiaries through the government's budgetary system (LMBIS), using the dedicated account. All disbursed funds will be subject to audit by the Office of the Auditor General.

REDD Implementation Center (REDD IC) will be responsible for approving and selecting the Investment Plans. All approved plans will be recorded in the LMBIS system as either programs or activities. Once these activities are approved in LMBIS, the FDF will directly transfer the funds to the beneficiaries' accounts. Under this program, the government will not control or influence the beneficiaries in the implementation of their investment plans.

REDD Cell and the designated REDD focal persons will collect expenditure details from the beneficiaries and submit them to REDD IC and FDF for final audit purposes. The Ministry of Finance (MoF) will have the authority to enter and approve activities related to ER payments in the LMBIS system at any time during the fiscal year by creating new items or systems as necessary. If a beneficiary is unable to spend the allocated funds for an approved investment plan, the unspent amount will not be frozen or returned to the government treasury. Instead, it will be redeposited into the FDF account. The system will then continue to operate as per the usual process, allowing the reallocation or reuse of the funds in alignment with the established procedures under the ER payment mechanism.

Fig : system of Benefit tracking and Recording

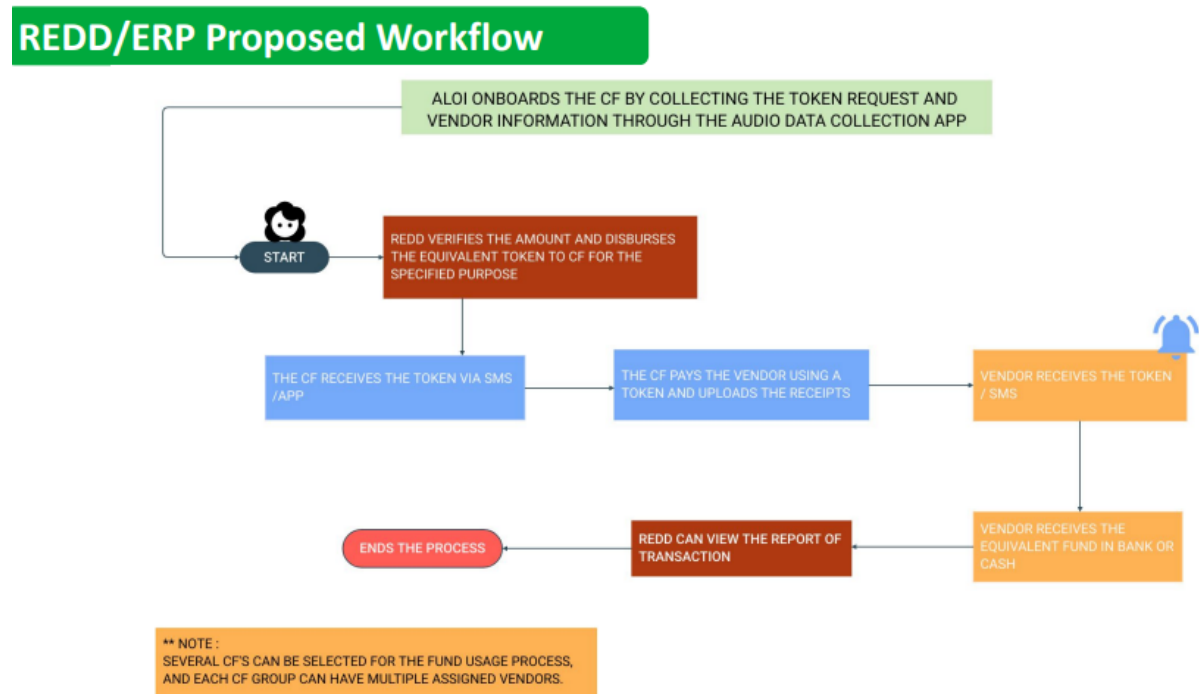
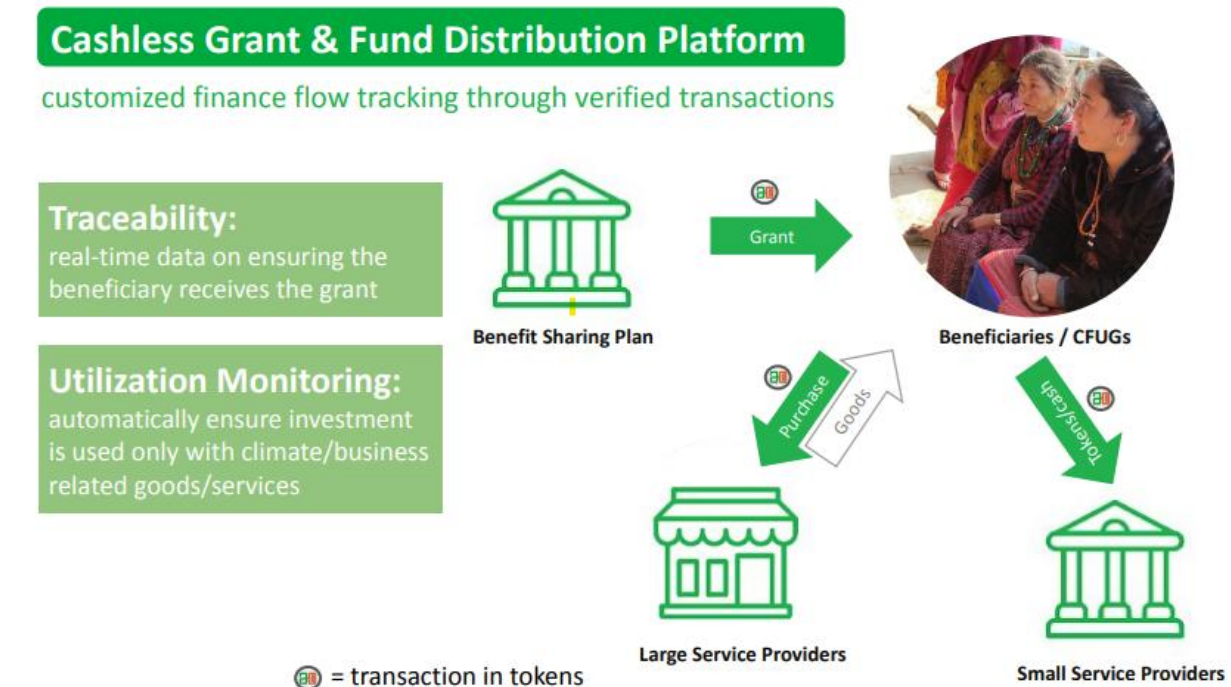
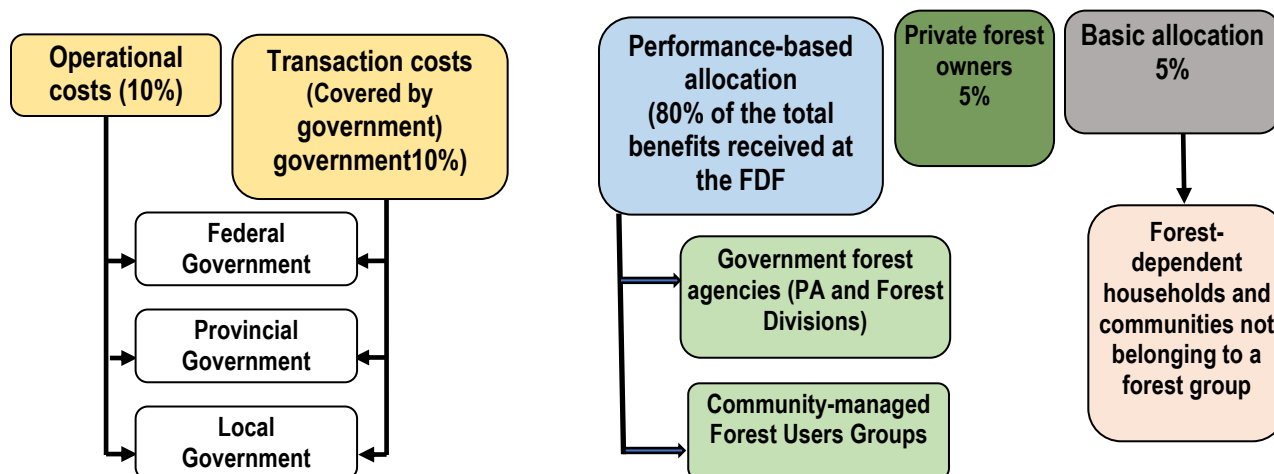


Figure 6: DISTRIBUTION OF BENEFITS



2.3.1 Allocation for Operational Costs

10% of the ER payment has been allocated to cover costs related to the operation, management and functioning of the institutional setup for the distribution of funds incurred at the federal, provincial, and local levels. These include the administration, communications, and system development for ER payment by REDD IC, as well as the financial management costs about the operation of the PMU(REDD IC)s and steering committees at federal and local level, and the administration of REDD Desks at the provincial level. A detailed description of each cost category and cost estimates are given in Table 7.

Table 7: Breakdown of Budgeted Operational Costs (000 USD)

Type of costs	Year								Total
	2018	2019	2020	2021	2022	2023	2024	2025	
At the federal level									
Operation of bank account	*	*	*	*	10	10	10	10	40
Steering committee costs (meetings allowance, communication, lodging and food for provincial representatives, 3 times in a year for 7 members of FDF PDIC and other invitees including from REDD IC)	*	*	*	*	30	30	30	30	120
REDD IC and FDF	*	*	*	*	20	20	20	20	80
PIInternal audit (FDF)	*	*	*	*	20	20	20	20	80
At the provincial level	*	*	*	*					
REDD Desk operation (provincial coordination & communication)					60	60	60	60	240
At the local level									

Audit by the Office of Auditor General		*	*	*	20	20	20	20	80
Meeting allowance for steering committee members (3 meetings per year of 144 local steering committees of 9 members)	*	*	*	*	20	20	20	20	80
Orientation and capacity building activities (costs incurred to organize skills development training)	*	*	*	*	100	100	100	100	400
Total					260	260	260	260	1040

2.3.2 Allocation for Transaction Costs

Transaction costs (from FDF's operational cost or management cost) will include the cost of activities associated with MRV; maintenance and operation of the database on forest carbon; assessment, implementation and monitoring of environmental and social safeguards; implementation and monitoring of the ER Program; and resolution of benefit sharing–related complaints and grievances. The budget is allocated in the PMU (REDD IC)s and FDF at the federal provincial (REDD-Desk), and local level (DFO (REDD cell)), based on the scope of the activities implemented at the respective levels (Table 8). For example, Nepal's national database on forest carbon will be established and operated as a data repository and clearing house by REDD IC at the federal level, while MRV will be carried out at all three levels.

Table 8: POTENTIAL BUDGET ACTIVITIES OF TRANSACTION COSTS (USD, THOUSANDS)

Cost category	2018	2019	2020	2021	2022	2023	2024	2025	Total
At the federal level									
Operation of carbon database system (database of the ER Program area's quantified ERs and carbon removals)	0	0			20	20	20	20	80
MRV team , including specialists (oversee MRV process and monitoring)	0				50	50	50	50	200
Forest monitoring and reporting (MRV) (specialists, technicians, and data analysts)	0	0			500		1,000		1500
Safeguards assessment, implementation and monitoring throughout implementation of ER Program in compliance with safeguard instruments—ESMF and its constituent frameworks—and, national SIS (to be developed) (safeguards team including a safeguard specialist at the federal level)	0				50	50	50	50	200
Development and dissemination of IEC materials, outreach activities								40	40

FGRM: Assess and facilitate the process of grievance resolution (by the safeguards specialist)	0				20	20	20	20	80
At the provincial level									
REDD – Desk (MRV facilitation, FGRM assess and resolve)	0				50	50	100	50	250.0
Safeguards monitoring	0						50	50	100
At the local/district level									
MRV (development of local resource person and mobilization)	*						200		2000
Community-based monitoring and information system (CBMIS)	*						200		200
FGRM (receive, review and resolve)	*				15	15	20.	15	60
Database preparation (at DFO as DPMU) hiring staffs	*				50	50	50.	50	200
Total	0	0			755	255	1760	345	3115

2.3.3 Performance-Based Allocation to Government, and Community-based Forest Management Groups

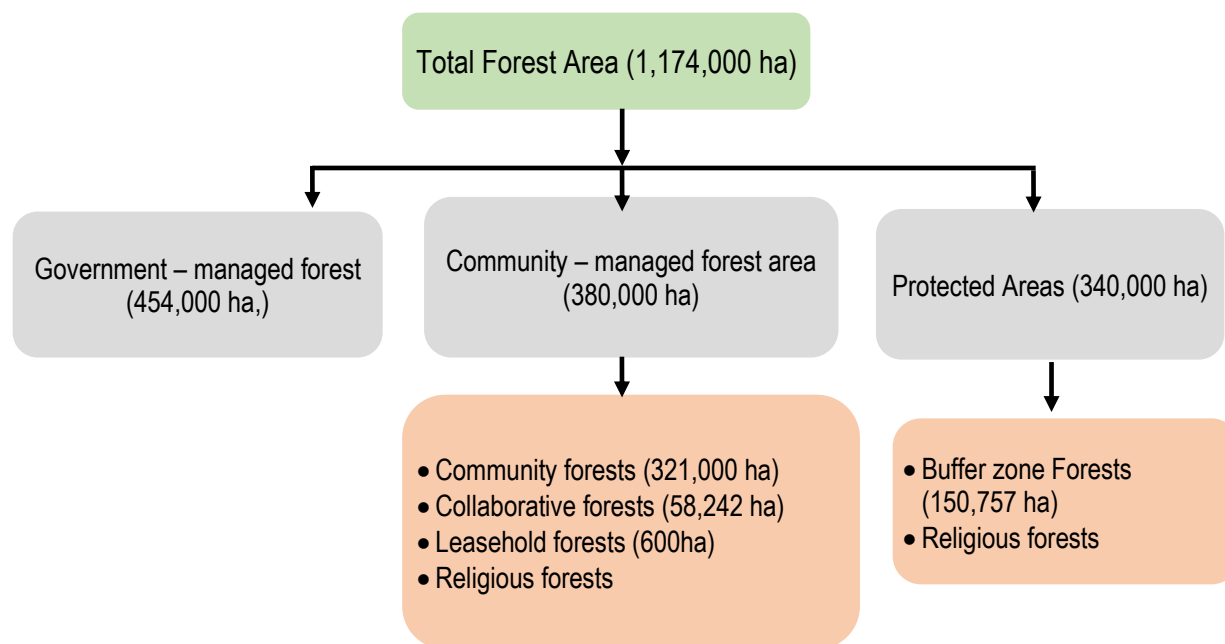
80% of the total benefits will be provided to government, and community-managed forest groups based on the level of performance as identified by the ERPD, with 5% benefits to the private forest owners of the program area. The rational for benefit allocation will be the performance of the ER interventions across the gross forest area (ha) under a management unit where activities will be implemented. Any forest that has an approved management plan will be considered as a management unit. The performance level will be calculated considering the entire area as one unit for that particular management. For example, a community forest of 90 ha with a functional management plan will be one forest management unit. The performance level will be assessed for the entire 90 ha considering it as one unit. Taking reference from similar BSP from other countries, the monitory benefit shared across buffer zone forests in protected areas will be 15% while for all kinds of forest management regimes it will be 85%. Hypothetically, in an area of 100 ha, suppose the buffer zone forest under protected area is 15 ha, community forests 43 ha and government managed forest 42 ha, benefit provided to each type of the forest management regime will be 15, 43 and 42 units for buffer zone forest of protected areas, community managed forests and the government managed forests respectively assuming the performance by all types of management regimes remains the same. The BSP has followed a simple approach for incentivizing sustainable management of forests as identified by the Paris Agreement. Clause 5.2 of the Paris Agreement has put emphasis on "result based payments" and "identified the role of conservation, sustainable management of forests and enhancement of forest carbon stocks" for such payments along with "incentivizing non carbon benefits" generated due to above actions¹². Funds will

¹² Parties are encouraged to take action to implement and support, including through results-based payments, the existing framework as set out in related guidance and decisions already agreed under the Convention for: policy approaches and positive incentives for activities relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries; and alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, while reaffirming the importance of incentivizing, as appropriate, non-carbon benefits associated with such approaches.

be transferred from the Forest Development Fund (FDF) to the bank accounts of beneficiaries—including Division Forest Offices (DFOs), forest user groups, or other eligible entities—as administered by the respective DFOs (see Figure 9). Performance-based payments to forest user groups will be disbursed by the DFOs through the FDF, directly into the bank accounts of the respective groups. To ensure transparency, efficiency, and ease of access, REDD IC will develop a digital system to manage and track the flow of payments. The forest user groups (including BZ) mobilize their ER payments in accordance with the current benefit sharing plan and existing fund mobilization policy. Similarly, the performance-based payment for the private forest owners and other people living on the jurisdictional boundary of ERP area will be transferred into the account of respective municipalities which in turn will distribute the benefits in line with the benefit sharing plan. The sub-division forest office facilitates the process of benefit distribution and provides technical backstopping to the municipality.

The breakdown of forest area under ERP area for management and potential incentivization is shown in Figure 7.

Figure 7: Breakdown of Total Forest Area



To be eligible for benefits, each forest user group should submit an Investment Plan (Box 1) with details on the planned forest activities, the use of benefits, and a tentative approach for the intra-group benefit distribution within the required timeframe (see Table 15 for more details). An Investment Plan is a precondition for any forest group to be able to access the ER Program benefits. Similarly, development of Annual Plan is the precondition for DFOs to access to the ER Program's benefits. The Annual Plan is prepared by DFOs for government managed forest, and a periodic plan for PA prepared by PA authorities. The plan presents undertaking various forest management activities that contribute to reversing deforestation and degradation and enhancing carbon stocks. An investment or annual plan must not contain ineligible activities (as shown in Table 9) and are required to ensure: (i) the proper distribution of benefits to qualifying (socially and economically diverse) households in the forest groups (see Box 1) and (ii)

Box 1: INVESTMENT PLANS

An Investment Plan is a commitment document developed by forest user groups. They are intended to recognize that member households contribute to forest management and depend on forests to different degrees, and households whose contribution and forest dependency are the highest should get the highest benefits.

The development of an Investment Plan provides forest groups with an opportunity to specify how they intend to achieve ERs, enhance carbon stocks, and distribute benefits to their member households, based on the following factors:

- Forest management activities that contribute to reducing forest degradation and enhancing carbon stocks
- Off-site activities that contribute to forest dependency thereby reduces carbon emissions
- Level of forest-dependency for survival
- Equity (socially marginalized households, low-income)

forest activities are implemented in line with the ERPD, so they contribute to ERs. More details on Investment Plans are in Annex 15.

Table 9: Ineligible ACTIVITIES¹³ for Receiving Benefits

1	Any kind of monoculture practices
2	Use of exotic tree species and/or high-water consuming species
3	Use of tree species that are not suitable for the sites
4	Category A ¹⁴ activities or those with adverse environmental and social impact
5	Activities in hotspot area, critical habitat/biodiversity, strict protection zones
6	Activities that would involve involuntary resettlement
7	Activities that would involve significant use of chemical pesticides
8	Clear cutting during harvesting
9	Construction of roads within forests
10	Use of fund for purchasing harvesting equipment such as chainsaws

The forest user groups will mobilize the ER Payment in accordance with current benefit distribution guidelines and existing policy provision for provisions of the 2019 the Forest Act. The 2019 Forest Act stipulates that 25% of the total income of community forests should go to forest development, conservation, and management activities. Of the remaining 75%, half should go to poverty reduction, women's empowerment and the development of forest-based enterprises (in consultation with the local government), and the other half to group welfare activities. Specific details on planned and implemented activities and the distribution of benefits themselves will be contained in the respective forest user group's Investment Plans.

Investment Plans also contain expressions of interest in non-monetary benefits for individual households and forest user groups. DFOs (as DPMUs) will review each Investment Plan and compile the needs of all forest user groups. A list of non-monetary benefits for the 13 districts of the ER Program will be compiled by the REDD IC and forwarded to the FDF PDIC for decision-making.

Details of the performance-based benefits allocation among/between and intra-beneficiary groups are provided in Annex 16.

2.3.4 Allocation to Private Forest Owners

5% of the ER payment will be allocated for private forest owners based on frequent discussions related to the issue of incentivizing private forest owners in the ER program area during consultations. Consultations further noted that areas held by private forest owners are modest and majority plots are less than one hectare area. This benefit will help with the cost of plantations and Sustainable Management of Private Forests. With

¹³ The ESMF contains a list of ineligible activities (see section 4.3.5 Exclusion list of projects), and all potential projects are screened according to the list of environmental and social screening criteria (see 4.3.2).

¹⁴ Category A activities are those activities that are likely to have significant adverse environmental and social impacts, and that are sensitive, diverse, or unprecedented.

support of DFOs (as DPMUs), local government will develop a database¹⁵ on current local private forest owners and interested candidate households to promote registered private forest ownership, as provided for in section 35 of the 2019 Forest Act (whereby private forests are formally registered with the local government based on the recommendation of DFOs. Upon review and approval by the municipality, DFOs (as REDD cell) will send consolidated data (based on private forest database and Business Plans) to REDD. Municipalities will disburse the benefits allocated to the identified private forest owners in the form of goods (seedling), technology (training), and facilitation in support of sub-DFO. In consultation with respective local governments, DFOs (REDD cell) will prepare lists of potential beneficiaries (households) and corresponding non-monetary benefits (goods and services). The Division Forest Offices (DFOs) will facilitate and coordinate all local Benefit Distribution Plans (BDPs) related to basic allocations to the respective local levels. The local levels will then review and recommend these plans to the REDD Implementation Center (REDD IC). The Benefit Distribution Plans will be shared with REDD IC for review and approval. Based on the approved recommendations from REDD IC, the FDF Secretariat will facilitate the disbursement of benefits to the respective municipalities.

To be eligible, private forest owners should develop a Business Plan for the promotion of private forests. DFOs will support the interested individuals to develop Business Plans, which will entail details of forest activities, including major tree species of plantation, forest management activities, and harvesting cycle, etc. The SDFO will submit the database and Business Plan, including a detailed cost estimate (training for technical capacity, seeding distribution etc.) to the respective local municipality for their review and approval (see section 3). Benefits will be in the form of goods (seedling), technology (plantation technique and training), and facilitation to be managed by local municipality.

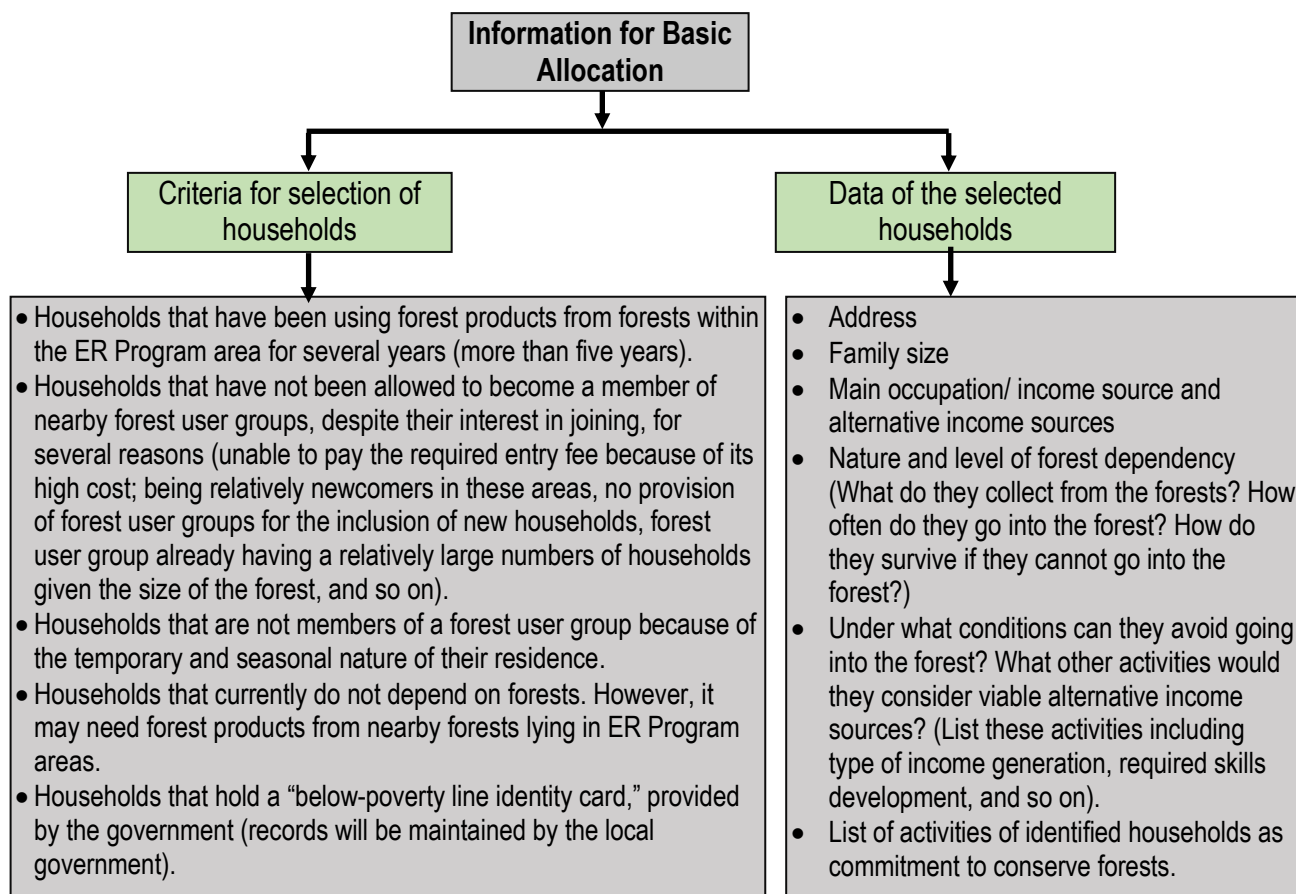
2.3.5 Basic Allocation

5% of the ER payment is allocated to forest-dependent communities and households not part of a forest user group but still heavily dependent on forests lying in the ER Program area. Figure 8 shows the criteria that will be considered, as well as the information collected, for the identification of beneficiaries.

Considering the criteria, DFOs (as DPMUs) in consultation with local forest users and the respective local municipality, will prepare the list of households as potential beneficiaries for a basic allocation. The DFOs will then identify the appropriate non-monetary benefits in terms of goods (income-generating products), and services (income-generating related skill-based training) based on the households' interest and current occupation. These will be compiled in a detailed non-monetary Benefits Distribution Plan and include a breakdown of costs for each local government. Details on the identified households and Benefit Distribution Plan of the basic allocation will be forwarded to the local municipality for their review and approval.

Figure 8: Household Selection Criteria for Basic Allocation and Information of the Selected Households

¹⁵ The database shall include the area of land to be used for the proposed private forests, the preferred tree species, and the source of seedlings for these trees.



CHAPTER 3. INSTITUTIONAL ARRANGEMENTS FOR BENEFIT SHARING

3.1 Governance Arrangements

The distribution mechanism for the sharing of benefits is the Forest Development Fund (FDF)—a dedicated fund operated by a multi-stakeholder federal governing body to be established in accordance with section 45 of the Forest Act 2019 (as indicated in Box 2).¹⁶ the REDD Implementation Center (REDD IC) function as the Project Management Units (PMUs) at the federal and provincial levels. At the district level, the DFOs will serve as District Project Management Units (DPMUs). Each DFO will establish a REDD Division Cell comprising the following members:

- The REDD Focal Person (Coordinator)
- A representative or Chairperson from the PA authority (if available)
- A representative or Chairperson from NEFIN
- A representative or Chairperson from FECOFUN
- A representative from Women organization
- A representative from ACOFUN (if available)
- A representative from BZUC (if available)

The REDD Cell will support the preparation of Investment Plans and recommend them to REDD IC for program selection and approval.

Box 2: FOREST DEVELOPMENT FUND

The Forest Development Fund (FDF) will be established under the provision made under section 45 of the Forest Act 2019 and the Forest Regulation 2022. The FDF will be a dedicated fund to facilitate sustainable forest management, including habitat conservation and rehabilitation, and to improve the livelihoods of affected communities, especially the poor and the disadvantaged. The Fund is designed to channel international and national forest financing, including those mitigating and offsetting the socio-environmental impacts from sectoral investments (hydropower, energy, agriculture and transport).

The FDF will be managed by a Program Development and Implementation Committee (PDIC), made up of representatives from the federal and provincial governments as well as civil society representatives. The PDIC will manage the ER payments as the federal fund management steering committee. The Secretary of the MoFE will head the PDIC which will sit at least twice in a year, or chair can call a meeting more frequently according to need. Based on the decision of the PDIC, Member-Secretary of the committee will authorize the disbursement of benefit-sharing payments.

The account of the FDF will be held with a Category “A” commercial bank. A detail of fund management and mobilization has been depicted in Forest Regulation 2022 and FDF manual. Expenditure and the details of each funding allocation, including ER Payments, will be kept separately, and the concerned division and department under MoFE have to submit expenditure and supporting details monthly, tri-monthly, and annually. An internal audit of the financial transactions will initially be performed by the finance controller office, followed by a final audit by the Office of the Auditor General. Forest Regulation 2022 and subsequent FDF Operational manual will provide further guidance for the operationalization of the FDF.

¹⁶ The FDF structure and operations guidelines need to be assessed “satisfactory” by the World Bank before ER payments from the FCPF CF can be disbursed through the FDF to the beneficiaries.

At the local level, Municipality or Rural Municipalities under each local government act as fund management steering committees to oversee the overall fund distribution in their respective jurisdictions. The committees are formed under the coordination of an elected member of local level government in pursuant to provision granted by section 14 of the Local Government Operation Act, 2017 and are comprised of seven to nine members representing the government, IPs, Dalits, women, Person with Disabilities (PWD), and Muslims. These committees review and evaluate claims and Investment Plans and make decisions related to the equitable distribution of ER payments to identified beneficiaries between the government and forest user groups; to private forest owners; and communities and households not belonging to a forest group, according to criteria presented in section 2.4.4.

While the FDF PDIC and the local municipality or rural municipalities are responsible for supervising and decision-making regarding benefit sharing, the REDD IC and DFOs will support as PMUs at the federal and district level respectively. The PMU's roles are to facilitate the distribution of benefits through efficient communication and coordination with the FDF PDIC, REDD IC and the Municipality or Rural Municipalities at the respective levels. The PMUs' responsibilities further include the maintenance of databases (on ER related activities and beneficiaries) and the preparation of timely reports, facilitation of MRV, assist with maintenance and operation of the carbon registry, and safeguards functions.

In line with Nepal's National REDD+ Strategy, a REDD-Desk established at the Provincial Forest Directorate will act as the focal entity of the ER Program at the provincial level under the supervision of the Ministry of Industry, Tourism, Forest and Environment (MITFE). The REDD-Desk, in coordination with the Ministry, will provide guidance to and collect reports from the DFO (as DPMU) within its jurisdiction, and forward them to the REDD IC. In addition, REDD-Desks will support the MRV of ERs and deal with any feedback or grievances regarding benefit sharing. Table 10 provides an overview of the roles and responsibilities of the entities involved in the distribution of benefits.

Table 10: Institutions Involved in Benefit Distribution and Their Roles

Level 1: Federal Level

Institutions	Roles	Organization represented
FDF PDIC (federal fund management steering committee)	• Transfer of ER payments to the identified beneficiaries, with recommendation and input from REDD IC. • Monitoring and annual program approved performance-based ER payments (for both government-managed and community-managed forests). • Review and approve the basic allocation of ER payments. • Select and approve private forest initiatives in ER Program area (Business Plans of private forest owners reach the FDF PDIC through Municipality or Rural Municipalities). • Supervise the overall BSP implementation and strategize the management of fiduciary risks. • Provide timely strategic direction and guidance to the REDD IC.	MOFE, DG of DOFSC, JS of REDDIC, Dg of FRTC, Dg of DNPWC, Representative from MOF, FCGO FECOFUN, ACOFUN, NEFIN, DDG of DOFSC

REDD IC	• Manage overall distribution of ER payments to the identified beneficiaries, with support and input from REDD IC. • Receive, review, and approve performance-based ER payments (for both government-managed and community-managed forests). • Review and approve the basic allocation of ER payments. • REDD IC will function as a management authority and Overall PMUs of ER Program. • System Development and service provider hire or selection of transparent ER distribution. • Provide support and input to the FDF PDIC for equitable, efficient and effective benefit distribution • Provide timely support, strategic direction and guidance to the FDF PDIC to facilitate decisions on benefit distribution: the basic allocation, all performance-based benefits (for government, forest user groups and privately forest owners) and disbursements for operation and transaction costs. • High-level oversight of MRV functions and review monitoring reports, including performance and safeguards assessment reports. • Ensure the benefit distribution is responsive from an equitable, efficient and effective manner, and Gender Equity and Social Inclusion (GESI) perspective (marginalized individuals and households including women, poor households of IPs, Dalits, Muslims, and Madheshis of community-managed forest groups receive benefits). • Support FDF PDIC and REDD IC as necessary	Multi-stakeholder and inclusive membership, representing the government and CSO (as per Forest Regulation 2022)
REDD IC (FPMU)	• Overall coordination and facilitate the benefit distribution by bridging REDD IC and the FDF PDIC • Inform the REDD IC of the decision made by the FDF PDIC. • REDD IC will Track, Record and Monitor the ER payment and its implemented activities. • Ensure transparent, adequate, and efficient information flow from federal to local level and vice versa. • Update the FDF PDIC and REDD IC of any significant concerns related to benefit distribution. • Coordinate and communicate with the provincial REDD-Desk and MITFE for ER activities through MoFE • Organize and facilitate meetings of the FDF PDIC and REDD IC. • Prepare annual plans and reports, inform the REDD IC and FDF PDIC, and submit relevant documents to the World Bank (FCPF) • Develop Project Operational Manual • Prepare documents for internal audit. • Develop and disseminate IEC materials	MoFE/ REDD IC

	• Coordinate and collaborate with the MRV implementing agency (FRTC) on forest survey and carbon accounting for timely preparation of the performance and maintenance of forest carbon registry. • Supervise the Carbon Accounting, Monitoring, and Reporting Coordination Section in creating and maintaining a database of quantified ER data available from the MRV implementing agency. • Review the database of 144 local governments that yields the list of beneficiaries (forest user groups for performance allocation and individual households for a non-monetary basic allocation) recommended by Municipality or Rural Municipalities, and prepare the final list of beneficiaries for the performance-based payment. • Ensure the beneficiary lists are disaggregated from GESI perspectives. • Coordinate with safeguards units and monitor the implementation of benefit sharing-related safeguards • Receive benefit sharing-related feedback and grievances from the provincial REDD-Desks, assess and facilitate to resolve the grievances through relevant legal institutions (institution of last resort is MoFE).	
Bank account management: Category A commercial bank	• Operate financial management as per the direction of the FDF PDIC and FPMU. • Register ER payments in international currency (dollars). Provide REDD IC financial statements and documents required for internal audit	Category A commercial bank

Level 2: Provincial Level

Institutions	Roles	Organization represented
REDD-Desk/ Province Forest Directorate	• Coordinate, monitor, and supervise DFO (DPMU) within the province for implementation and monitoring of the ER Program. • Collect reports and relevant databases from DFO (DPMU) and forward to REDD IC. • Participate in the FDF PDIC and REDD IC meetings and provide strategic directions, among others, regarding the issue of implementation of ER activities in the field. • Receive and assess feedback and grievances forwarded by DFO; forward unresolved grievances to REDD IC. • Handle provincial coordination and supervision of the ER Program and benefit distribution.	Provincial MITFE, Provincial Forest Directorate

Level 3: Local Level

Institutions	Roles	Organization represented
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Municipality or Rural Municipalities (local fund management steering committee)	• Oversee benefit distribution in their respective jurisdictions • Approve database of 144 local governments that yields the list of beneficiaries (forest user groups for performance allocation and individual households for a non-monetary basic allocation). • Review Annual Plans of DFOs and Investment Plans of forest user groups and ensure activities listed in Investment Plan yield ERs through mitigation of deforestation and forest degradation, enhance the carbon stock, and maintain equity in distributing benefits to the identified end beneficiaries (strengthen intergroup, intra-group, and households' livelihoods). • Make decisions on and authorize performance-based payments to government, forest user groups. • Review and identify households and communities not belonging to forest groups for basic allocation. Review and identify private forest initiatives in ER Program area (for selection by FDF PDIC).	Local Government
DFO (REDD cell) (DPMU)	• Facilitate and organize meetings of the Municipality or Rural Municipalities • Carry out outreach activities • Collect Annual Plans from DFOs and Investment Plans from the forest user groups and develop a database of forest area managed, the ER-related activities, local forest and financing activities, and social initiatives laid out in the Investment Plans • Report relevant data from the Investment Plans' database to the Municipality or Rural Municipalities for decisions on payment distribution. • Develop a local database of ER activities of government-managed and forest user groups (CFUGs, CollFUGs, LHFUGs, BZCFUGs, RFUGs, customarily managed), based on the MRV report. • Update and review databases on forest-dependent communities other than forest groups for the distribution of basic allocations. • Identify appropriate non-monetary benefits (income- generating activities, skill-based training, alternative energy sources) for forest-dependent communities other than forest groups for the distribution of basic allocations. • Create an extensive database of basic allocations for each local government and submit it to the Municipality or Rural Municipalities for approval. • Receive and register feedback/grievances from forest user groups and make these available to DFO and Municipality or Rural Municipalities to resolve local concerns. • Create a database of unaddressed feedback and unresolved grievances (handled by DFO and Municipality or Rural Municipalities) and forward the records to the provincial REDD-Desk. Calculate the total benefits to be disbursed to the local government of the respective districts based on pertinent forest area (both government-managed and community-managed), basic allocation, and non-monetary benefits, and forward the figures to the REDD IC through the REDD-Desk.	DFO (sub-division Forest Office)
FPMU	• Operate financial management • Prepare the documents necessary for internal audit. • Provide the necessary recommendations for financial management.	

PA Authorities for BZ	• Prepare Annual Plans with clear and dedicated forest activities in line with interventions reflected in ERPD to contribute to the ER and carbon stock enhancement and ensure these plans are GESI responsive. • Implement activities that yield ERs and enhance carbon stocks. • Submit Annual Plans to FPMU. • Support Buffer zone forests including user groups in preparing and implementing their respective Investment Plans, including from GESI perspectives. • Carry out outreach activities	PA Authorities
DFO (beneficiary and facilitator)	• Provide necessary support to host and establish the DPMU on their premises • Prepare Annual Plans with clear and dedicated forest activities in line with interventions reflected in ERPD to contribute to the ER and carbon stock enhancement and ensure these plans are GESI responsive. • Implement activities that yield ERs and enhance carbon stocks. • Facilitate local level MRV process (mobilization of DFO staffs for forest inventorying in their respective districts as coordinated and requested by the ER Program MRV team—FRTC). • Support forest user groups in preparing and implementing their respective Investment Plans, including from GESI perspectives. • Support DPMU in mapping/inventorying the status of forests that are customarily managed in their respective districts. • Resolve grievances and forward any unresolved grievances to the REDD-Desk.	DFO

Level 4: Community Level

Institutions	Roles	Organization represented
Forest user groups and communities customarily managing forests (beneficiaries)	• Develop and submit an Investment Plan with clearly defined activities and systems to the DFO (DPMU). Investment Plan should include: ○ Clear GESI indicators and activities and a mechanism for the benefit distribution to IPs, Dalits, Madhesi, and the women of the forest user groups ○ Forest management activities that contribute to ER and carbon stock enhancement. • Implement activities that yield ERs and enhance carbon stocks. • Engage in local level MRV process (local resource persons, forest inventorying) as requested by MRV team and DFO. • Resolve household grievances through the subcommittee and forward unresolved grievances to DFO (DPMU).	CFUGs, CollFUGs, LHFUGs, RFUGs including communities customarily managing the forest

3.2 Flow of Funds

Total benefits received as the results-based payments from the Carbon Fund of the FCPF will be directly deposited in the designated account of Forest Development Fund (FDF) as per the Emission Reduction Payment Agreement (ERPA) signed by the Government of Nepal and the World Bank on February 21, 2021. The FDF following its working procedures will transfer the money to the accounts of the identified beneficiaries as per this BSP and the approved investment plans (of the benefits) submitted by the beneficiaries.

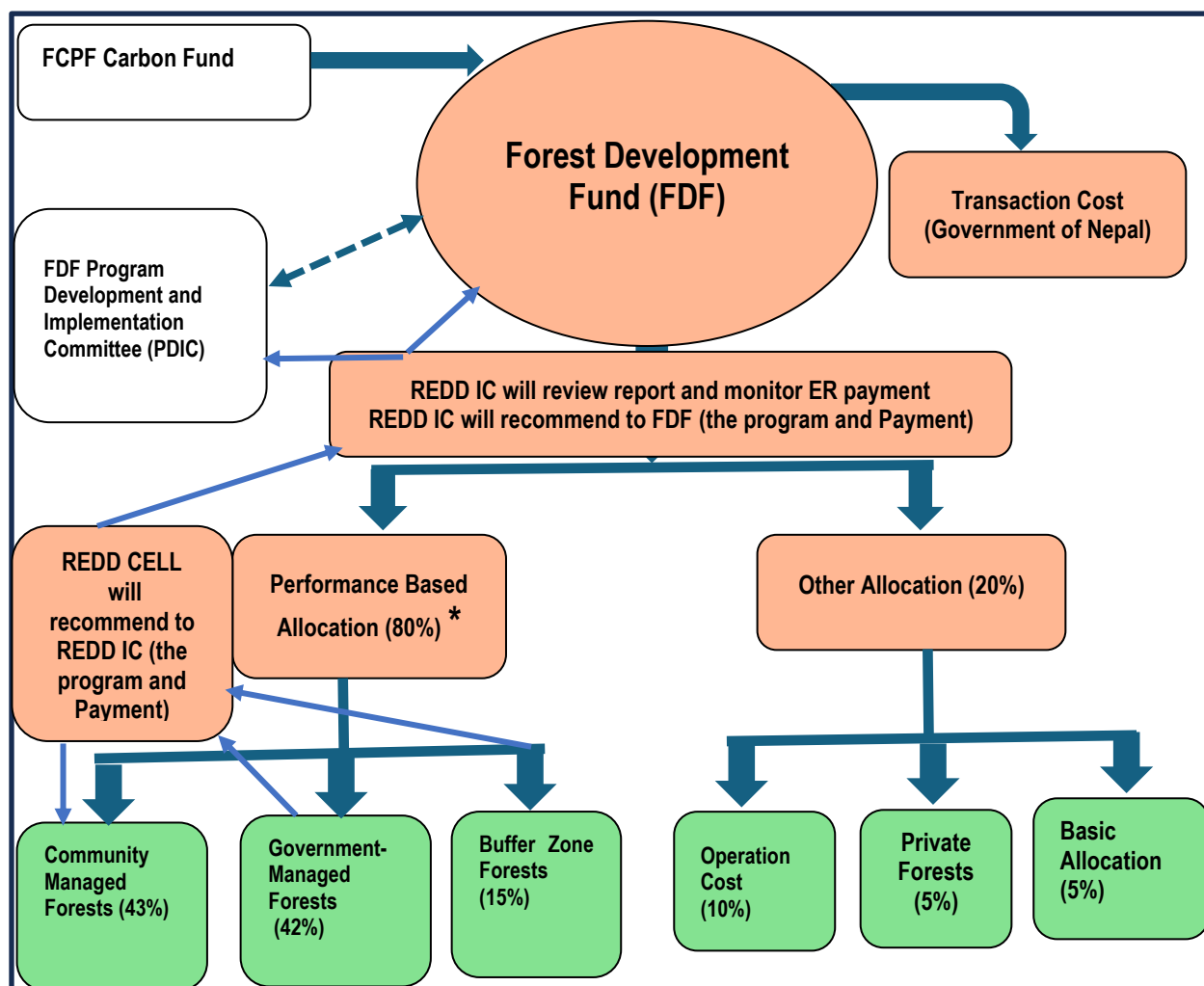
Once the FDF's Designated Account receives the Emission Reduction (ER) payments, a dedicated account will be assigned by the Financial Comptroller General Office (FCGO) to facilitate further disbursements from the FDF. The FDF will channel these funds to eligible beneficiaries through the government's budgetary system (LMBIS), using the dedicated account. All disbursed funds will be subject to audit by the Office of the Auditor General.

REDD Implementation Center (REDD IC) will be responsible for approving and selecting the Investment Plans. All approved plans will be recorded in the LMBIS system as either programs or activities. Once these activities are approved in LMBIS, the FDF will directly transfer the funds to the beneficiaries' accounts. Under this program, the government will not control or influence the beneficiaries in the implementation of their investment plans.

REDD Cell and the designated REDD focal persons will collect expenditure details from the beneficiaries and submit them to REDD IC and FDF for final audit purposes. The Ministry of Finance (MoF) will have the authority to enter and approve activities related to ER payments in the LMBIS system at any time during the fiscal year by creating new items or systems as necessary. If a beneficiary is unable to spend the allocated funds for an approved investment plan, the unspent amount will not be frozen or returned to the government treasury. Instead, it will be redeposited into the FDF account. The system will then continue to operate as per the usual process, allowing the reallocation or reuse of the funds in alignment with the established procedures under the ER payment mechanism.

Of the total ER payments deposited in Forest Development Fund, 80% will be disbursed for the performance-based allocation to the government forest entities and community-based forest user groups, 5% for private forest owners, another 5% for forest dependent households and communities outside the user groups. The remaining 10% of the payments received at FDF will be allocated for operations and management purposes. Fund flow mechanism of the benefit distribution through the FDF is shown in Figure 9.

Figure 9: Distribution of ER Payments through Forest Development Fund



Performance-based monetary payments and non-monetary benefits

Forest user groups and government (DFOs)

Payments will be allocated to eligible forest user groups and government entities based on the performance of their action on the forest area (ha) they manage under the forest management unit (see section 2). This will occur having met the precondition of an Investment Plan for forest user groups or Annual Plan in the case of DFOs and following review and approval by the local and federal fund management steering committees. Acting as the PMU at the federal level, REDD IC will facilitate the transfer of funds from the FDF to the Forest Divisions at various districts. Funds will be transferred from the FDF to administered by the respective DFOs (Figure 9). The DFOs will act as the DPMUs to facilitate the management and distribution of benefits to the identified beneficiaries, in accordance with the recommendations made by the local municipalities or rural municipalities. The performance-based payments will be disbursed to the respective groups or electronically

transferred as appropriate. The benefits allocated to the DFOs, and PAs will be invested as planned and transferred to respective PAs for doing the same. The forest user groups mobilize ER payments in accordance with current benefit distribution guidelines and provisions of the Forest Act 2019. (As detailed in clause 22, 25% to forest development, conservation and management activities; 37.5% to poverty reduction, women's empowerment and the development of forest-based enterprises; and 37.5% to group welfare activities). Specific details on planned and implemented activities as well as on the distribution of benefits will be contained in the respective forest user groups Investment Plans.

Private forest owners

The DFO (DPMUs) will provide non-monetary benefits to private forest owners based on the private forest database and Business Plans (detailed in section 2.3.4). Upon review and approval by the Municipality or Rural Municipalities, DFOs will send the consolidated data (drawn from database) to the REDD IC through the provincial REDD Desk (the latter is just for the record). FDF PDIC and REDD IC will review the data and make its final decision, after which the REDD IC will facilitate the disbursement of benefits to the DFO. REDD IC will allocate the funds to the respective DFOs or Local level. The DFOs will then disburse the benefits allocated to the concerned municipality for the identified private forest owners in the form of goods (seedling), technology (training), and facilitation.

Basic allocation

In accordance with the decisions and recommendations of the local Municipality or Rural Municipalities, the DFO (as DPMUs) will distribute the basic allocation to the households and communities not-belonging to a forest group. As detailed in section 2.4.5, this is based on the list of potential beneficiaries (households) and corresponding non-monetary benefits (goods and services) prepared by DFOs, in consultation with local communities and the respective local governments. DFOs will initially forward all local Benefit Distribution Plans for basic allocation to the REDD IC, through the provincial REDD-Desk, for consolidation. This consolidated plan will be shared with the FDF PDIC and REDD IC for review and approval. As per the decision, REDD IC will allocate the basic allocation to the respective DFOs. In accordance with decisions of Municipality or Rural Municipalities, each DFO will then distribute the corresponding benefits to the identified households and communities of the 13 districts.

Operation and transaction costs

In accordance with decisions of the FDF PDIC, funds for operational and transaction costs will be disbursed to the PMUs at the federal (REDD IC), provincial (REDD-Desk), and local levels (DFOs), based on the scope of the activities implemented at the respective levels (outlined in Tables 7 and 8 in section 2). Funds will be transferred from the FDF to the respective DFOs at the district level, to the account of the provincial Forest Directorates, and the account of the REDD IC within the MoFE at the federal level. Further details will be contained in the Project Operation Manual (POM) to be prepared by REDD IC. In accordance with the decisions of the FDF PDIC, funds for operational and transaction costs will be disbursed to the REDD IC provincial (REDD-Desk), and REDD Cell in DFOs), based on the scope of the activities implemented at the respective levels.

CHAPTER 4: PERFORMANCE SCENARIOS

In this chapter, four performance scenarios are presented – 100% performance, 50% performance, 10% performance, and no performance. In case of no performance, there would be no payment from FCPF Carbon Fund. As a result, there would be no monetary benefits distributed to beneficiaries. But in the remaining three performance scenarios, the same approach of benefit distribution would apply. The BSP recognizes that the benefit distribution will not change despite performance (i.e., distribution to one group will not be prioritized if insufficient funds are available).

4.1 Ex-ante Estimate of Emission Reductions

Table 11 presents the total ex ante ERs of the ER Program estimated over the 10-year lifetime through the implementation of the interventions proposed in the ERPD (REDD IC, 2018) and described in Chapter 1¹⁷. This BSP considers retroactive accounting/measurement from June 2018 (the ERPD approval date) to calculate the emission reduction performance¹⁸.

Table 11: EX ANTE Estimation of Emission Reductions During the Life of the ER Program

Year	FRL ^a (tCO ₂ e/year)	Estimated ER performance (tCO ₂ e)	Estimated 23% buffer (to account for general uncertainties and reversals) (tCO ₂ e)	Estimated ER volume excluding buffer (23%) (tCO ₂ e)
2019 ^b	895,710	659,324	151,644	507,679
2020	895,710	1,274,804	293,204	981,599
2021	895,710	1,890,283	434,765	1,455,518
2022	895,710	2,505,763	576,325	1,929,438
2023	895,710	3,121,242	717,885	2,403,356
2024	895,710	3,731,882	858,332	2,873,549
2025	895,710	4,342,521	998,779	3,343,741
2026	895,710	4,953,161	1,139,227	3,813,934
2027	895,710	5,563,800	1,279,674	4,284,126

¹⁷ Nepal will allocate an extra volume of ERs (from and beyond the two MRVs), in accordance with its nationally determined contribution (NDC) or will sell ERs to a second buyer to catalyze further activities in Terai.

¹⁸ Nepal proposes the start date of the ER accounting period to be the date of ERPD selected into the portfolio by Carbon Fund Participants, which is June 2018. The safeguard audit (expected by May 2020) will confirm that ER Program measures implemented since the ERPD selection date are in compliance with ESF and World Bank safeguard policies.

2028	895,710	6,174,440	1,420,121	4,754,319
Total	8,957,100	34,217,220	7,869,961	26,347,259

Source: ERPDP, REDD IC (2018).

Note: a. Forest reference emission levels (FRELs) refer to estimated GHG emissions from deforestation and forest degradation (gross emissions), whereas FRLs include both GHG emissions and activities that enhance forest carbon stocks (net emissions) (FAO, 2017). Nepal uses the FRL.

b. Estimated ER generated from second half of 2018 is also included in the ER performance of 2019.

4.2 Scenario 1- 100% performance of ER target

The first scenario is the ideal case—the ER Program reaches 100% of its ER target (Table 12). In this case, ERs of around 4 MtCO₂e would be achieved in the first MRV (through 12/2021) and around 5 MtCO₂e in the second MRV (01/22–12/24). In the 100% performance scenario, by the second MRV Nepal would generate around 9 MtCO₂e volume of ERs.

Table 12: Distribution of Benefits under the 100% ER Performance Scenario (in USD)

Year	Estimated ER volume, excluding buffer (23%) (tCO ₂ e)	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	507,680	2,538,400	380,760	2,030,720	126,920
2020	981,599	4,907,995	736,199	3,926,396	245,400
2021	1,455,518	7,277,590	1,091,639	5,822,072	363,880
Cumulative for first MRV period (06/18–12/21)	2,944,797	14,723,985	2,208,598	11,779,188	736,199
2022	1,929,437	9,647,185	1,447,078	7,717,748	482,359
2023	2,403,357	12,016,785	1,802,518	9,613,428	600,839
2024	2,873,549	14,367,745	2,155,162	11,494,196	718,387
Cumulative of second MRV period (01/22–12/24)	7,206,343	36,031,715	5,404,757	28,825,372	1,801,586

Source: (Page 160, ERPDP, REDD IC, 2018).

4.3 Scenario 2- 50% of the ER target

Table 13 presents the figures if the ER Program only were to achieve 50% of the total ER target. This scenario could become reality if several of the envisaged interventions (as identified in the ERPD) were not fully implemented. In this case, around 1.5 MtCO₂e and around 3.6 MtCO₂e would be generated in the first and second MRV periods respectively.

Table 13: Distribution of Benefits under the 50% ER Performance Scenario (in USD) (in USD)

Year	50% ER volume (tCO ₂ e)	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	253,840	1,269,200	190,380	1,015,360	63,460
2020	490,800	2,453,998	368,100	1,963,198	122,700
2021	727,759	3,638,795	545,819	2,911,036	181,940
Cumulative for first MRV period (06/18–12/21)	1,472,399	7,361,993	1,104,299	5,889,594	368,100
2022	964,719	4,823,593	723,539	3,858,874	241,180
2023	1,201,679	6,008,393	901,259	4,806,714	300,420
2024	1,436,775	7,183,873	1,077,581	5,747,098	359,194
Cumulative of second MRV period (01/22–12/24)	3,603,172	18,015,858	2,702,379	14,412,686	900,793

Source: ERPD, REDD IC (2018), page 160.

4.4 Scenario 3- 10% of the ER target

Table 14 shows ER payment distribution if only a limited number of forest management activities are implemented.

Table 14: Distribution of Benefits under the 10% ER Performance Scenario (in USD)

Year	10% ER Volume (tCO ₂ e)	Net payments hypothetical price @USD5	Operational and transaction costs (15%)	Performance-based allocation (80%)	Basic allocation (5%)
2019	50,768	253,840	38076	203,072	12692
2020	98,160	490,800	73620	392,640	24540
2021	145,552	727,759	109164	582,207	36388
Cumulative for first MRV period (06/18–12/21)	294,480	1,472,399	220,860	1,177,919	73,620
2022	192,944	964,719	144708	771,775	48236
2023	240,336	1,201,679	180252	961,343	60084
2024	287,355	1,436,775	215516	1,149,420	71839

Cumulative of second MRV period (01/22–12/24)	720,634	3,603,172	540,476	2,882,537	180,159
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Source: (Page 160, ERPD, REDD IC, 2018).

4.5 Scenario 4: Non-performance scenario

This is the ER Program's worst-case scenario, which could arise if none of the envisaged forest activities were implemented. This could happen if not a single forest management activity is undertaken in the ER Program area during the first MRV period. Yet it could also happen if the current drivers of deforestation and forest degradation are not addressed. In this case, the present emissions would not be reduced.

CHAPTER 5. MONITORING AND REPORTING FRAMEWORK

5.1 Monitoring and Reporting System

The overall ER performance will be supervised jointly by MOFE and REDD IC. Reports will be submitted to the FDF or the Ministry of Forests and Environment (MoFE) to facilitate the distribution of ER payments. The Forest Research and Training Centre (FRTC) is the national MRV agency responsible for conducting Measurement, Reporting, and Verification (MRV) for the Emission Reductions (ER) Program. REDD IC will serve as the management authority for MRV and will handle all related coordination activities.

Performance-based assessments of forest management units under community jurisdiction will be carried out by the respective Division Forest Offices (DFOs) through their REDD Cells. For buffer zone areas, only those officially declared and published in the gazette under the Protected Area (PA) system will be considered as the basis for benefit distribution. Payments for reported and verified Emission Reductions (ERs) will be made for two reporting periods, following the verification and validation of the Emission Reductions Monitoring Reports by an independent third-party Verification and Validation Body (VVB). REDD IC will serve as the lead authority for the monitoring, reporting, and overall management of all activities under the Emission Reductions Program (ERP).

All beneficiaries undertake reporting obligations (e.g., keep records of forest management activities and up-to-date records on the use of ER benefits) for submission to the REDD IC and provincial forest directorate office. The DFO maintains its own records (including the distribution of benefits to private forest owners and to households and communities not belonging to forest groups), which are then forwarded to REDD IC. REDD IC will provide these documents to support the FDF's audit which will be carried out by the Office of the Auditor General.

Table 15: Reporting level, institution, and Responsibilities

Reporting Level 1: Federal Level

Responsible institution	Reporting activities
FRTC (As the national MRV implementing agency)	• Prepare a complete and transparent report of MRV-related activities, with consistent and comparable emission data, and assess the performance against the ER Program's FRL. (The report will be submitted by the agency to the REDD IC, and later reviewed by REDD IC, and the FDF PDIC.)
DoNPWC	• Responsible for endorsement of management plans for the protected area units within ERPA jurisdiction
FDF	• Compile and synthesize the separate financial databases forwarded by the different category beneficiaries through DFO (DPMU) • Prepare a synthesis financial reports and database for each category of benefits (performance based – monetary and non-monetary), basic allocation, operation costs,

	management costs, and send to competent agencies (Protected Area office for buffer zone forest of PAs and DFO for forest areas outside the PAs as well as basic allocation to facilitate the distribution of ER payments. • Prepare audit report with the support of the commercial bank (operating the ER payment) and make them available for the Finance Controller Office and Office of the Auditor General.
Commercial Bank "A"	• Maintain and update the bank statement of ER payment. • Prepare periodic statement (financial report) and submit to REDD IC through which FDF PDIC and REDD IC can evaluate the status of payment.

Reporting Level 2: Provincial / REDD-Desk

Responsible institution	Reporting activities
REDD-Desk	• Consolidate the reports submitted by the DFO (DPMU) and prepare provincial level monitoring and evaluation report, for submission to REDD IC.

Reporting Level 3: Local/ Community/ District

Responsible institution	Reporting activities
Community-based Forest user groups	• Submit an Investment Plan to their DPMU as a precondition for receiving ER benefits. The Investment Plan should include an overview of implemented and planned forest management activities and of the intended use of benefits. The latter should reconcile the provision granted by section 22 of the 2019 Forest Act (see section 2) • Keep up-to-date records on their use of ER benefits. Records should include information on the beneficiary households and the amount each received, the types of forest activities, livelihood improvement activities, and skill-development activities undertaken, and the amount of money invested in each of these categories. • Carry out an audit of ER benefits and submit the audit report to their DFO (as DPMU). (The audit report will be forwarded to the REDD IC as a supporting document for the FDF's audit, which will be conducted by the Office of the Auditor General.) • Public audits and records of public hearings are additional tools forest user groups may use to legitimize their use of ER benefits.
Private forest owners	• Keep the records of forest management activities carried out in accordance with the Business Plan. • Make these records available to Municipalities and SDFO.
Households not-belonging to a forest user group	• Keep records of their forest dependency and forest product collection pattern after the support of benefits available from ER program. • Provide information (verbal) and their experiences as and when ask by DFO (as DPMU) and Municipality or Rural Municipalities for reporting purposes.

DFO	• To receive performance allocations (of the ER benefits), DFO should submit their Annual Plans reflecting forest management activities as precondition for receiving ER benefits.
DPMU (DFO)	• Collect the Investment Plans from forest user groups prior to ERPA payments (by December 2021 and December 2024). Consolidate the plans and enter the information from the Investment Plans into a database and submit the relevant data to their local Municipality or Rural Municipalities (for its review and approval). • Maintain the files of receipts and documents related to distribution of benefits to private forest owners (5%), and households and communities outside the forest groups (basic allocation 5%) which the DPMU will then forward to REDD IC. (These documents will support the FDF audit, which will be eventually carried out by the Office of the Auditor General.) • Compiling a number of separate databases - • for each category of benefits (performance based – monetary and non-monetary), basic allocation. • a database of forest area managed, the ER-related activities, local forest and financing activities, and social initiatives laid out in the Investment Plans and annual plans; and • Database of unaddressed feedback and unresolved grievances.

5.2 Monitoring of Performance and Results

The performance of the distribution of the ER Program benefits and the safeguards related to it will be monitored at the local, provincial and federal level to (i) enhance accountability and increase the sense of ownership of the ER Program's beneficiaries (both government entities and forest communities); (ii) enhance transparency and inclusion in the distribution of the ER Program benefits, as well as financial discipline; and (iii) ensure and maintain a healthy balance between performance (effectiveness), efficiency, and equity in the distribution of benefits.

Nepal's National REDD+ Strategy recognizes FRTC—formerly the Department of Forest Research and Survey (DFRS) as the national MRV agency and tasks it with carrying out MRV of the ER Program, in coordination with REDD IC. The community-based monitoring information system (CBMIS) will be integrated with the mainstream MRV process by mobilizing local resource persons and IPs in the ER Program area. Tentative milestones for MRV and CBMIS are presented in Table 16. The first and second MRV will be undertaken in April 2022 and December 2024 respectively. ER payments will be made in 2022 and 2025, based on the performance of ERs against the FRL¹⁹ (0.89 MtCO₂e/year). Quantified and verified ERs will be uploaded to a carbon registry system that will be tracked by the Carbon Accounting, Monitoring, and Reporting Coordination Section of the REDD IC. However, Nepal will use the centralized registry and data management system managed by the World Bank until a national carbon registry system is developed in Nepal.

Table 16: Schedule of MRV and ERPA Payments

Year	Action details
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¹⁹ Forest reference emission levels (FRELs) refer to estimated GHG emissions from deforestation and forest degradation (gross emissions), whereas FRLs include both GHG emissions and activities that enhance forest carbon stocks (net emissions) (FAO, 2017). Nepal uses the FRL.

2018	ER Program start date (ERPD approved in June 2018)
2021	ERPA signing
2022	First MRV in June 2022 and reporting
2023	ERPA payment (the First Payment)
2024	Second MRV and CBMIS by December 2024 and reporting
2025	ERPA payment (the second or final payment)

The BSP monitoring system differs from the overall MRV system for ER performance against the FRL. The former essentially focuses on assessing inputs/activities, safeguards, equity- and benefit sharing-related activities under the BSP. However, the BSP monitoring process has a clear functional link with MRV, CBMIS, and the ESMF as shown in Figure 10 and Table 17.

Figure 10: FUNCTIONAL LINKS BETWEEN MRV SYSTEM AND BSP MONITORING

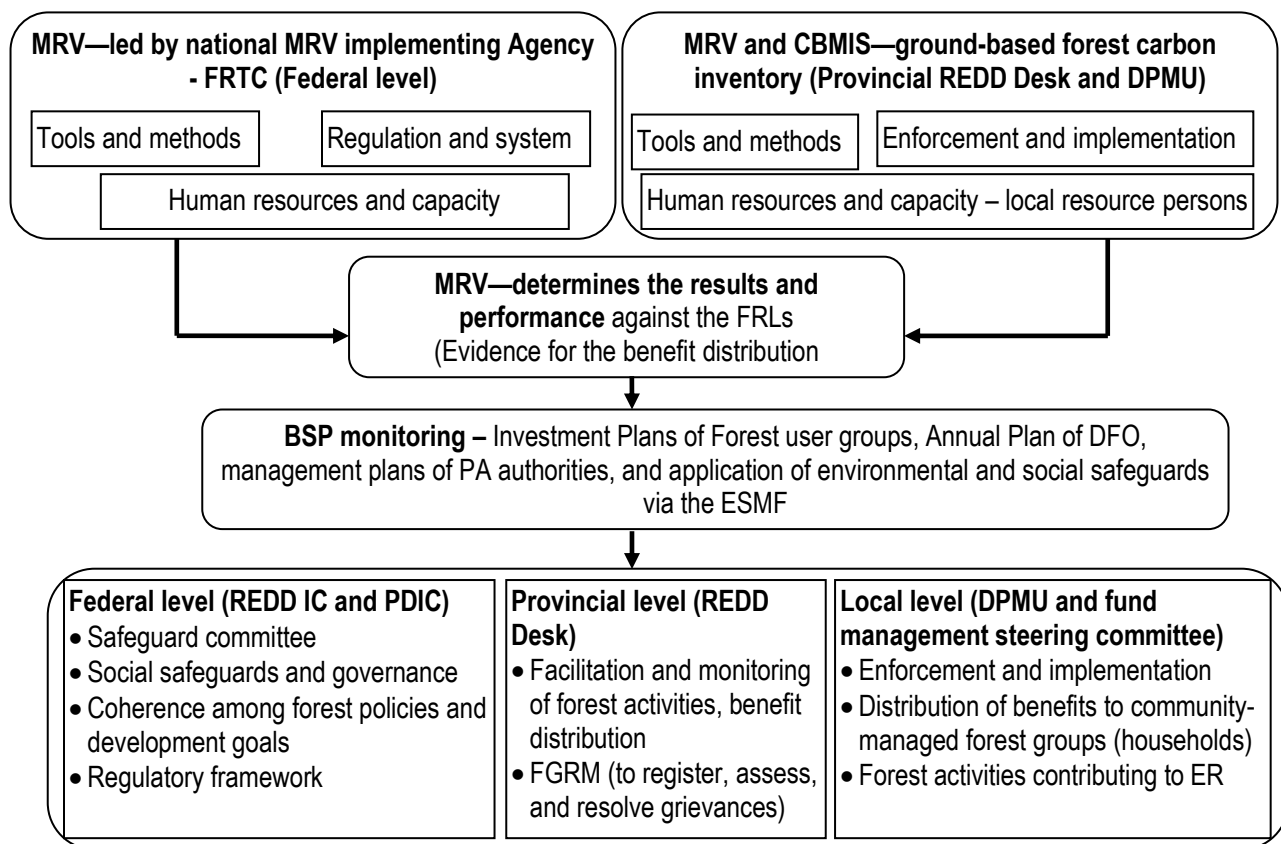


Table 17: MRV, Safeguard, and BSP Monitoring Activities at Different Government Levels

Monitoring activity 1: MRV

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Carbon ER performance	Monitoring forest changes (activity data) and emission factor by FRTC (Forest Survey and Carbon Measurement Division) in coordination with REDD IC, provincial REDD Desk, DPMU and community-management forest groups	Coordination division/local and community level	Support MRV agency for field-based forest inventorying (sample plot measurement)	Periodic (First MRV in December 2021 and Second MRV in December 2024)

Monitoring activity 2: CBMIS

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Status of forests and natural resources	Incorporate as complementary approach to ER Program MRV process	Facilitate MRV and CBMIS	Support division/local and community forest groups in integrating traditional knowledge and cultural practices in the monitoring of the status of forests and overall MRV initiative	Regular but also specifically provide data for the first and second MRV.

Monitoring activity 3: E&S risk management

What to monitor	Three jurisdictional level			Monitoring frequency
	Federal Level	Provincial Level (REDD Desk)	Division/ Local / Community Level	
Environmental safeguards (biodiversity, natural forests, planted species)	Social and Environmental Safeguards Section within REDD IC will oversee the environmental safeguards—the status of natural habitats, floral and faunal biodiversity (in terms of distribution and species composition) by establishing and operating the ESMF	REDD-Desk coordinates with DFOs and monitors the implementation of ER Program safeguard measures	DFO (DPMU) and Municipality or Rural Municipalities will monitor activity level—plantation, natural habitats, forest management plans	Regular

Social safeguards	Social and Environmental Safeguards Section within REDD IC will oversee overall social safeguards, including policy coherence with development goals, and the loss of traditional knowledge and practices. Deterioration of traditional livelihood opportunities due to restriction of access to forest resources. • Loss of forest-based occupations due to restrictions on forest resource removals by establishing and operating ESMF	REDD-Desk guides their DFOs to ensure safeguards measures associated with distribution of benefit are addressed.	DFO (DPMU) and Municipality or Rural Municipalities monitor forest groups' activity on benefit sharing—participants in benefit sharing decision-making process, categories of beneficiary households, transparency, and employment opportunities	Regular
Transparency, inclusion and equity in benefit sharing process	Regular meetings, decisions and flow of information from FDF PDIC and REDD IC. Involvement of women, Dalit, IPs, Muslims and Madhesis in FDF PDIC and REDD IC,	Timely compilation of report and database submitted from DFO (DPMU), and forward to REDD IC	Participation (Women, IPs, Dalits, Muslims and Madhesis), (DFO as DPMU and Municipality or Rural Municipalities), efficient and transparent disbursement of benefits to households within and outside forest groups	Regular

1.3 Monitoring of Inputs/Activities

ER-related activities will be monitored within the framework presented in Table 18. The framework contains key outcomes with smart and measurable indicators along with means of verification and entities responsible for implementing the activities underlying each outcome. The framework also indicates the entities responsible for monitoring and the monitoring timeframe.

Table 18: Monitoring Framework with Detail Outcomes and Indicators

Outcome 1: Activities contributing to ERs and the enhancement of carbon stocks

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Type of forest management activities • Area (ha) of forests with decentralized governance—community-managed forest groups • Share of group funds invested or earmarked for forest management activities	• List of activities of forest users' groups specified in Investment Plan • Forest Operational Plan that has specific outcome-level indicators and activities for women, IPs, Dalits,	Forest user groups	DFO (DPMU), Municipality, FDF PDIC and REDD IC	Three times a year (Municipality or Rural Municipalities meetings held once every four months)

• Dedicated fund allocated for forest management activities led by/or for women, IPs, Dalits, Madhesis, and Muslims • Share of groups fund invested in or earmarked for off-site (forest) activities that reduce forest dependency	Madhesis, and Muslims. • Annual report of forest user groups Number of improved cook-stoves and biogas installed—disaggregated by gender, IPs, Dalits, Madhesis, and Muslims			
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Outcome 2: Distribution of benefits to poor IPs, Dalits, Madhesis, and Muslims households

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• At least 50% of the funds remaining after investing 25% in forest activities will be allocated to women's empowerment, leadership activities and income-generative activities targeting poor IPs, Dalits, Madhesis, Muslims households, and the female members of these groups (in accordance with the recently approved 2019 Forest Act) • Share of ER benefits invested in these activities • Type of income- generating activities	• List of beneficiaries (IPs, Dalits, Madhesis, Muslims, and women) of ER payment must be included in Investment Plan • Financial audit report • Official record/ledger • Meeting minutes •	Forest user groups	Municipality or Rural Municipalities (for each local jurisdiction) and FDF PDIC and REDD IC for the overall ER Program area	Three times a year (Municipality or Rural Municipalities meetings held once every four months)

Outcome 3: Forest activities of government-managed forests (DFO and provincial Forest Directorate activities)

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Number of sustainable management plans (SMPs) developed in line with ERPD ER activities.	• DFO's Annual Plan and periodic strategic plan • Annual report	Division (subdivision) Forest Office, provincial Forest Directorate for decentralizing management of collaborative forests	Municipality or Rural Municipalities (only for each local jurisdiction) and FDF PDIC and REDD IC for the overall ER Program area	Three times a year (Municipality or Rural Municipalities meetings are held once every four months)

Outcome 4: Promotion of private forests in the ER Program districts, thereby supporting ERs

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
- Forested area (ha) registered as private forests - List of private forest owners that benefit from the ER Program - List of goods and services received by the private forest owners - Area of private forests promoted	- DPMU record - DFO record	DFO (DPMU) and Local Level	Municipalities, REDD IC	Regular

Outcome 5: Forest-dependent households/communities receive basic allocations and reduce their dependency on forests

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
- List of households and communities that received basic allocations as ER benefits - Types of goods and services (non-monetary benefits) provided to the beneficiaries - Change in degree of forest-dependency of these households and communities	DFO (DPMU) record	DFO DPMU, Local level	Municipalities, REDD IC	Regular

Outcome 6: FGRM

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
Number of feedback reports and grievances received, assessed, and resolved	Meeting minutes of provincial REDD Desk	DFO (DPMU), REDD Desk	At four levels: (i) forest groups, ward-level mediation committee (ii) local government and DFO. (iii) provincial REDD-Desk; and (iv) Social and Environment Safeguards Section in REDD IC.	Twice a year

5.4 Monitoring of Safeguards and Guidance to Ensure Implementation of Safeguards

Benefit distribution–related safeguards will comply with the safeguard policy of the World Bank and the ESMF and gender action plan stated within ESMF of the proposed ER Program. The implementation of these safeguards will be monitored throughout the ER Program’s duration (Table 19). Nepal finalized the ESMF for its ER Program in 2019, including the necessary mitigation options for the risks identified through the strategic environmental and social assessment (SESA) conducted in 2014. Nepal has also developed REDD+ Social and Environmental Standards (SESSs), with support from the World Bank’s FCPF.

Nepal will develop a national safeguards information system (SIS), in line with the United Nations Framework Convention on Climate Change’s (UNFCCC) safeguard principles (known as the Cancún REDD+ Safeguard Principles), to explain how the Cancún safeguard principles will be addressed and respected in the REDD+ implementation. The safeguards related to benefit distribution of the ER Program will comply with the national SIS.

Beneficiaries are responsible for maintaining the safeguards in their plans and activities while carrying out forest management activities and distributing the benefits among their constituencies. Local and federal steering committees (as well as the REDD-Desk at the provincial level) are responsible for ensuring the implementation of social and environmental safeguards. The safeguards will be monitored annually by Social and Environment Safeguard Section of REDD IC.

A project operation manual (POM)/BSP implementation plan manual will be developed to guide the government authorities and local communities through specific implementation procedures under the ER.

Table 19: Outcome-wise Monitoring Framework for Social and Environmental Safeguards

Outcome 1: Social safeguards: Procedural equity is maintained

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
- Number of IPs, Dalits, Madhesis, Muslims, and women on fund management steering committees (at federal and local level) - Regular conduction of steering committee meetings and the attendance of committee members at the meeting - Respect for voice and concerns of IPs, Dalits, Madhesis, Muslims, and women in decision-making process - Compliance with the ESMF of ER Program	- Fund management steering committees meeting minutes - ER Monitoring Report - Field observations and testimonial of local people	REDD IC will coordinate through its Social and Environmental Safeguard Section	Social and Environmental Safeguard Section of REDD IC and external monitoring by third-party monitoring consultant commissioned by Program entity	Annual internal monitoring and periodic third-party monitoring after first and last payments

• Ensure Free Prior and Informed Consent (FPIC) is followed (i.e., local communities are timely informed and activities in the ER program area are implemented with consent.)				
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Outcome 2: Customary practices of forest management are respected and promoted

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Customary practices adopted in the ER Program area are identified/inventoried • Proportion of funds is allocated to the communities managing forests using their traditional and customary practices	• List of customary forest management practices in the ER Program • Area of forests managed using customary practices • List of customary practices is incorporated in Investment Plan of forest user groups and Annual Plan of DFOs	REDD IC, DFO (DPMU) and customary institutions	REDD IC	Annually

Outcome 3: Consistency of BSP with current national and local legislative benefit sharing provisions

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• The BSP has a strong legal basis (i.e. FDF is established as indicated by the Forest Act and its Regulation) • Existing benefit sharing and distribution practices are promoted and built on the BSP. • No conflict between BSP procedures and existing intra-group benefit sharing practices	• Reflections of local forest user group members disaggregated from a GESI perspective •	REDD IC	REDD IC	Annually

Outcome 4: Livelihood opportunities are enhanced

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Share of ER payment distributed to poor IPs, Dalits, Madhesis, and Muslims and women • Forest-dependent households reduced • Share of payments invested in income-generating activities targeting low-income households	• List of beneficiaries (IPs, Dalit, Madhesis, Muslims and women) of ER payment in Investment Plan • Financial audit report • GESI audit report • Official record/ledger • Meeting minutes	Forest user groups	Municipality or Rural Municipalities, FDF PDIC and REDD IC	Three times a year (steering committee meeting is held once every four months)

Outcome 5: Traditional forest-based skills are respected and promoted

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Local IPs' knowledge is used to monitor the other resources and thus strengthen MRV process • Share of benefits distributed to traditional occupational caste groups—e.g., Chepang (Chiuri plantation and shifting cultivation; blacksmith); Lohar (coal); Raute (wood-carving); Bote-Majhi, and Musahar (fishing)	• Investment Plan • Financial audit report •	Forest user groups, DFO	Municipality or Rural Municipalities, FDF PDIC and REDD IC	Annually

Outcome 6: Promotion of biogas and improved cook-stoves to buffer the loss of fuel wood collection opportunities

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Share of funds invested to install biogas and improved cook-stoves for fuel wood-dependent households, with priority given to the poor and socially marginalized households • Skill of women on bioenergy production and their link with market is enhanced	• Investment Plan	Forest user groups and their households, DFO	Municipality or Rural Municipalities, FDF PDIC and REDD IC, Provincial REDD Desk	Annually

• Women trainers for renewal energy technical service providers developed • Access of women-led households to incentives of biogas and ICS is ensured.				
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Outcome 7: Environmental safeguards: Biodiversity conservation is ensured

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Plantation of native and multi-tree species • Biodiversity conservation activities are included in sustainable forest management plan • Natural wildlife habitats are conserved • Construction of physical structures are climate and environmentally sensitive and smart (low- impact)	• Sustainable management of forest plan • Observation of forests (private forests and government-managed and forest-group managed forests • Investment Plan and DFO Annual Plan	Forest user groups, DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and Provincial REDD Desk	Annually

Outcome 8: Culturally valuable species are conserved

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Culturally significant tree and plant species are identified and listed • Production of seedlings in nursery and plantation is encouraged	• Sustainable management of forest plan of forest user groups • Forest operation plan of forest user groups	Forest user groups, IPs network (NEFIN) DFO, REDD IC	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and provincial REDD Desk	Regularly

Outcome 9: Sustainable management of forest is ensured

Indicators	Means of verification	Responsible institution	Who Monitors	Monitoring frequency
• Multi-layers forest management practices are adopted • Forest ecosystem services (including water) are conserved	• Sustainable management of forest plan of forest user groups	Forest user groups, IPs network (NEFIN) DFO	Municipality or Rural Municipalities , FDF PDIC and REDD IC, and	Regularly

	• Forest operation plan of forest user groups •		Provincial REDD Desk	
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Source: ESMF for ER Program area (REDD IC, 2019), ERPD for ER Program (REDD IC, 2018, p.161).

5.5 BSP-Related Feedback and Grievance Redress Mechanism

The 2015 Constitution of Nepal, the 2008 Good Governance (Management and Operation) Act, the 2007 Rights to Information Act, the 2017 Local Governments Operation Act, the 2019 Environment Protection Act, the 2019 Forest Act, and other legislative instruments ensure the citizens' right to file a grievance and have access to an appropriate redress procedure or remedy. Based on article 27 of the Constitution of Nepal, every citizen shall have the right to demand and receive information on any matter of his or her interest or of public interest.

Given the Constitutional provisions, both local governments and the DFOs have to establish a feedback and grievance redress mechanism (FGRM). As per section 46 of the 2017 Local Government Operation Act, each local government has to establish a three-member judicial committee coordinated by its Vice-Chairperson/Deputy Mayor in order to settle disputes or complaints in their respective jurisdictions. Section 47 of this Act stipulates that the judicial committee is responsible for settling local disputes or complaints through the judicial process or mediation, in close coordination with the respective ward (the lowest unit of local government) mediation committees. Under this provision, ER Program beneficiaries can file their grievances with the local level judicial committee or ward level mediation committees for appropriate remedies, whenever they feel affected or victimized by any ER Program-related activity. Upon receiving a complaint, a judicial committee shall assess and explore the appropriate remedies to address the complaints as per the provisions of the judicial committee's Procedural Directives. Moreover, if the affected people or ²⁰communities are not satisfied with the decisions of the local judicial committee, they can forward their complaints to the formal judicial mechanism for satisfactory remediation.

Similarly, the (subdivision) DFOs are responsible for developing a citizen's charter, as mandated by section 25 of the 2008 Good Governance (Management and Operation) Act. Section 31 of this act authorizes each government agency, including DFO, to establish a grievances mechanism in their office. Each DFO of the ER Program area is required to maintain the citizen's charter is maintained and establish a grievances mechanism to ensure grievances are properly addressed. Considering the legal provision included in section 31 of the 2008 Good Governance (Management and Operation) Act, at every Division and Subdivision Forest Office, a complaints box should be available in a visible place to collect feedback from the public, including ER Program beneficiaries. The subcommittee that was created to deal with forests and the environment, based of section 14 of the 2017 Local Government Operation Act also has the authority to mediate in the resolution of grievances raised by local communities.

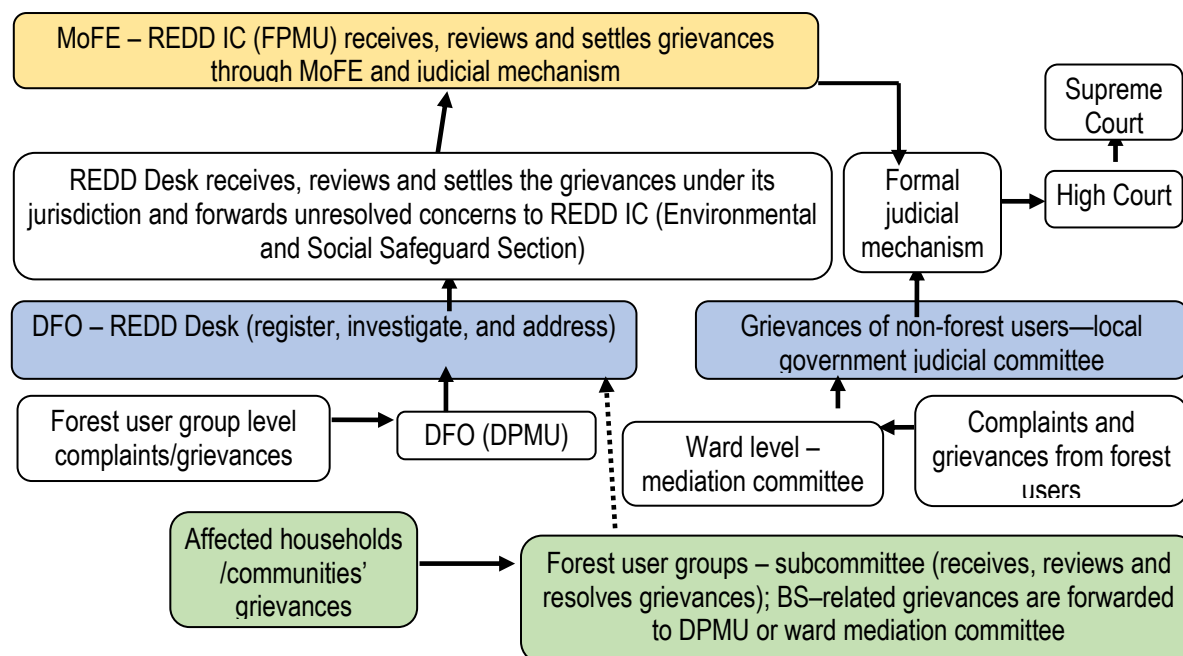
²⁰ Please see Section 10.6.1 in the ESMF of the ERPD that provides information on the FGRM.

Community-level grievance redress mechanisms already exist in some CFUGs and other forest groups, as mandated by their approved by-laws and forest management/operational plan. For example, as per the 2015 Community Forestry Development Program Guidelines (revised), CFUGs can establish a subcommittee to receive and handle the feedback and grievances of their members. This subcommittee is also responsible for handling any conflicts in their community that are associated with the ER Program.

Given the legal provisions and practices, benefit sharing–related grievances will generally be resolved at multiple levels through two pathways—the forest authority and local government (Figure 11). In the first instance, grievances filed by households will be handled by the respective forest user groups through their sub-committee. Unsettled grievances can be forwarded either to DFO through DPMU or to the ward level mediation committee or local judicial committee. (2). Forest group grievances can be registered with the DPMU hosted in DFO, with the ward level mediation committee, or local judicial committee (formed in coordination with the deputy mayor or vice-chairperson of the local government considering the nature of the issue or grievance). Based on where a grievance is registered, it will be resolved by DFO or the ward level mediation committee or local judicial committee.

All grievances received and resolutions will be documented at each level and regularly assess and refine the GRM system in terms of access and timely resolution. Additionally, assess and report on the nature of grievances and key insights that indicate where changes in the operation or implementation of BSP is necessary.

Figure 11. Proposed FGRM under the ER Program



3) Grievances that the ward level mediation committee is unable to resolve will be forwarded to the local government judicial committee, while unresolved grievances at the DFO will be forwarded to the provincial REDD Desk. Similarly, unresolved grievances at the local level judicial committee will be referred to the courts—the formal judicial route. (4). The MoFE is the last recourse available for any unresolved grievances referred by the REDD-Desk. To this end, REDD IC (FPMU) will collect unresolved grievances from the provincial REDD Desk and facilitate their resolution through the MoFE. Unsettled grievances at the MoFE will eventually go to the formal judicial mechanism (courts).

5.6 Capacity Building

The ESMF contains a detailed training and capacity-building framework for effective implementation of the ERP and the ESMF (i.e., for IPs and community-managed forest groups). In addition, as outlined above, the BSP further identifies skill-development training and capacity development activities (i.e., for DPMUs and the FPMU), with a portion of the funds allocated to cover institutional/operational costs earmarked for capacity building (Table 7). Regarding the capacity of the FDF, as outlined in section 3, the Forest Regulation has been approved in May 2022 and Guidelines for the operation of the FDF are under preparation. Once the operating procedures are released, the FDF and associated delivery arrangements will undergo financial management and procurement assessments by the World Bank. This will occur as part of a due diligence project and is required prior to the first ER transfer.²¹ The World Bank team will conduct the fiduciary assessment of the FDF in parallel, with the goal of completing it by July 31, 2025.

²¹ The FDF structure and operations guidelines need to be assessed “satisfactory” by the World Bank before ER payments from the FCPF CF can be disbursed through the FDF to the beneficiaries.

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Part II: ANNEXES

ANNEX 1:KEY MILESTONES OF THE ER PROGRAM IN THE 13 TAL DISTRICTS

Table 1: Key milestone of the ER Program in the 13 TAL districts

Milestone number	Milestone	Remarks
1	The World Bank and the Government of Nepal signed a Letter of Intent (LoI), in June 2015, formalizing the Bank's supporting role and specifying the national volume of ERs the Carbon Fund intends to pay for upon verification of results	
2	After Nepal presented its Emission Reductions Program Idea Note (ER-PIN) to the FCPF, the Government of Nepal and the World Bank signed LoI in June 2015	
3	Nepal issued its draft Emission Reductions Program Document (ERPD) for the Terai Arc Landscape (TAL) in 2017. The ERPD was accepted into the Carbon Fund Portfolio during the Carbon Fund meeting held from June 20–22, 2018 in Paris, France	
4	This BSP was prepared to meet one of the prerequisites for Nepal to be able to enter into an Emission Reductions Payment Agreement (ERPA) with the FCPF	

ANNEX 2: NON-CARBON BENEFITS TO BE DERIVED IN THE ER PROGRAM AREA

The ER Program will generate broader sustainable development benefits, among others, the ones listed in the table below.

Table 2: Non-Carbon benefits from ER programs

Key type of benefit	Description
Livelihood value	• Sustainable livelihood opportunities for local communities • Establishment of seedling nurseries will generate local employment opportunities
Social value	• Improved health conditions, especially of women, due to expanded use of biogas and improvement of cookstoves • Empowerment of IPs, Dalits, Madhesis, Muslims and women • Increased level of participation and access to benefits under improved and sustainably managed forests
Biodiversity value	• Maintained and enhanced biodiversity inside and outside the protected areas.
Ecosystem value	• Sustainable forest management will enhance the non-carbon ecosystem services—improving watersheds and promoting the sustainable use of forest products
Governance, policy and institutional values	• Improved forest governance, • Gradual resolution of land tenure issue

ANNEX 3: RELEVANT LEGAL PROVISIONS FOR THE ER PROGRAM'S BENEFIT SHARING PLAN

Table 3: Provisions on Constitution of Nepal

Article	Statements
Art. 51 (g)	Policies relating to protection, promotion, and use of natural resources: (1) to protect, promote, and make environmentally friendly and sustainable use of, natural resources available in the country, in consonance with national interest and adopting the concept of intergenerational equity, and make equitable distribution of benefits, providing priority and preferential right to the local communities.
Article 57	Distribution of State power: (1) The powers of the Federation shall be vested in the matters enumerated in Schedule-5, and such powers shall be exercised pursuant to this Constitution and the Federal law. Schedule-5: Federal Power -national Forest policies, carbon services (2) The powers of a Province shall be vested in the matters enumerated in Schedule-6, and such powers shall be exercised pursuant to this Constitution and the Province law. Schedule-6: State Power – National Forest within the forest (5) The concurrent powers of the Federation, Province, and Local levels shall be vested in the matters enumerated in Schedule-9, and such powers shall be exercised pursuant to this Constitution, the Federal law, the State law and the law made by the Village Assembly or Municipal Assembly. Schedule-9. Concurrent Powers of Federation, Province and Local Level- Forests, Jungle, wildlife, birds, water uses, environment, ecology and biodiversity
Article 59	Exercise of financial powers: (4) The Federation, State, and Local level shall arrange for the equitable distribution of benefits derived from the use of natural resources or development. Certain portions of such benefits shall be distributed, pursuant to law, in forms of royalty, services or goods to the project affected areas and local communities.
Article 251	Functions, duties and powers of National Natural Resources and Fiscal Commission: (1) The functions, duties and powers of the National Natural Resources and Fiscal Commission shall be as follows: (c) to conduct study and research work and prepare parameters as to conditional grants to be provided to the State and Local Governments in accordance with national policies and programs, norms/standards and situation of infrastructures

Table 4: Provision in National Natural Resource and Fiscal Commission Act, 2017

Number	Provisions
Article 14	Criteria to be considered in the mobilization of natural resources: (2) The Commission shall advise the Government of Nepal on the amount of returns based on the following criteria, pursuant to Sub-Section (1): (a) The location of the mobilized resources, (b) The affected area by the mobilization of natural resources, (c) Dependency upon the mobilized natural resources, (d) Benefited population by the returns, (e) Dependent population on the natural resources, (f) Conservation of natural resources and the participation in sustainable management.

Table 5: Provisions in Forest Act, 2019

Number	Provisions
Section 44	Management of Environmental service: The Government of Nepal will determine the benefits distribution mechanism for the sharing of benefits generated from carbon sequestration.
Section 45	FDF: The government of Nepal shall establish a FDF for the implementation of the objectives of Forest Act and protection of forest, silviculture operation, and to implement other activities for forest enhancement. (1) The source of the FDF will be as follows: (a) Resource available from Government of Nepal, Provincial government and local governments (b) Resources available from any individuals or institutions (c) Grants or concessional loan received from foreign government, international organization and individuals (d) Royalty generated from the sales of forest products and money received from the forestland conversion for other purpose. (2) Before receiving any grant or concessional loan from foreign government and international organization, the pre-approval from the Ministry of Finance shall be required. (3) The financial resource of the FDF will be deposited in any 'A' class commercial bank. (4) The audit of the FDF shall be conducted from the Office of Auditor General. (5) Other provisions for the operation of the FDF are prescribed in the Forest Regulation 2022
Article 25	Implement mitigation actions: (3) The federal, provincial, and local governments could implement the mitigation actions as required.

Table 6: Environmental Protection Act, 2019

Number	Provisions
Article 28	Participation in the carbon trade: (1) The Government of Nepal could participate in the carbon trade with any mechanism established based on the international treaty; foreign government or institutions; commercial entities or private sector for the carbon emission reduction and sequestration. (2) Other matters relating to participate in the carbon trade will be as prescribed.
Article 31	Provision of Environment Protection Fund: (1) An environmental protection fund will be established for the protection of the environment, pollution control, climate change management and protection of national heritages. (2) The source of funds will be as follows: (a) Financial resources available from the federal, provincial and local government (b) Financial resources available from national institutions and individuals, (c) Financial resources available from foreign governments and international organizations. (3) Before receiving any grants from foreign government and international organization, the pre-approval from the Ministry of Finance shall be required. (4) The audit of the fund shall be conducted from the Office of Auditor General. (5) Other provisions for the operation of the fund will be as prescribed.

Table 7: Provision in Inter-governmental Fiscal Arrangement Act, 2017

Number	Provisions
Article 7	Distribution of Royalty to be obtained from Natural Resources: (1) In order to distribute the royalty obtained from the natural resources among the Government of Nepal, State and Local Level, the Government of Nepal shall create the federal Divisible Fund to deposit such amount obtained from the royalty in accordance with Federal law. (2) The Government of Nepal shall distribute the royalty pursuant to Sub-Section (1) as specified in Schedule-4. (3) Out of the amount distributed to pursuant to Sub-Section (2), the amount obtained by the Government of Nepal shall be deposited in the Federal Consolidated Fund, the amount obtained by the State in State Consolidated Fund and the amount obtained by Local Level in the Local Consolidated Fund.
Article 9	Conditional Grants: (1) The Government of Nepal shall provide conditional grants to the State and Local Level to implement any project of the State or Local Level or the Government of Nepal on the basis as prescribed by the Commission pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution. (2) The Government of Nepal may, while providing conditional grants under Sub-Section (1), specify necessary terms and conditions in relation to the implementation of the project and the concerned State and Local Level shall abide by such terms and conditions. (3) The State may provide conditional grants to Local level according to the basis prescribed by the Commission in accordance with the State laws.

Table 8: Provision in Local Government Operation Act, 2017

Number	Provisions
Article 11	Rights, roles and responsibilities of local government: (2 J(16) and (4)(e) implement low-carbon economic development activities at the local level (4)(e) Formulation of policies, laws, plans and programs at local level for the management and regulation of all types of forests considering the delegated authorities provided by federal and provincial forest laws.
Article 24	Formulation and implementation of plan: (2) The local government should consider the governance, environmental protection, climate change adaptation, disaster management, and GESI perspectives during the formulation of plans and programs at the local level.
Article 14	Formation of a committee, subcommittee or working group / task force: (1) The local government executive can form a committee, subcommittee or working group / task force under the coordination of any member of the executive in order to smooth the operation activities undertaken by the local government. (2) The scope of work, procedures, and other matters pertinent to the committee, subcommittee or working group/task force will be defined during the formation of such structure.

ANNEX 4: FIELD LEVEL STAKEHOLDER CONSULTATION PLANS

Consultation on the Benefit Sharing Arrangement (following the “2012 Guidelines on Stakeholder Engagement in REDD+ Readiness by UN-REDD”)

1. Brief introduction to the ER Program
2. Existing Practices of Sharing Forest Benefit in Nepal
3. Need for Gender and Social Inclusion in Carbon Benefit Sharing – National and Global Perspective/Experiences

4. Group Work

Task 1. Identification of key drivers of deforestation and forest degradation and explore responsible actors/agents (concerned and diverse formal and informal institutions, individuals, women and men representing different social groups) to these drivers.

Task 2. Identification of key approaches/strategies and activities to address the drivers of Deforestation and Forest Degradation (basically need-based drivers and greed-based drivers) within the context of benefit sharing practices (or how ER benefits can address the drivers of deforestation and forest degradation)

Task 3. Categorization of beneficiaries: Discuss the following criteria for classification of actual financial beneficiaries for benefit sharing in the ER Program.

I. Forest management ownership and responsibilities de jure (government and formal forest groups) and de facto (customary practice communities)

De jure/legal responsibilities of forest management (groups and government)	De facto (customary forest management groups and communities)

II. Pragmatic and social justice: Action link and non-action link

List communities, groups, and households that contribute to forest management and a reduction in deforestation and forest degradation

Forest user groups	High contributors of forest management	Provide contribution in future

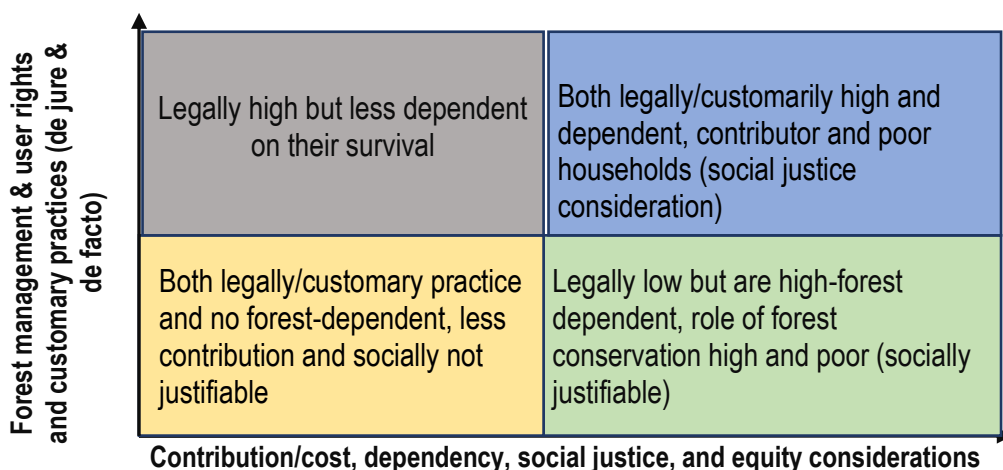
Identify communities, groups and households within forest groups that are highly forest-dependent for their survival and at risk of losing their customary practices because of the implementation of the ER Program.

Forest user groups	Households, groups or communities that are more forest dependent than others	Households, groups and communities at risk of losing their customary practices because of the ER Program

Identify the households, groups, and communities outside forest groups that still depend on forests (covered by the ER Program—government-managed or community-managed) for their survival

- List the identified beneficiaries
- Place the beneficiaries in the appropriate quadrant of the beneficiary categorization matrix below.

The matrix provides the participants with opportunity to sort out the listed communities based-on two variables (*Legal and Pragmatic Variables*). The y-axis denotes current legal and customary provisions and responsibilities in forest management, while the x-axis represents the level of contribution, dependency, and social justice (those socially and economically poor and marginalized communities/households). List of communities, groups or households fall in Top right quadrant represent both legally and pragmatically higher and thus are recognized prioritized end beneficiaries, while beneficiaries of bottom left quadrant represent both legally and pragmatically low. This matrix provides a framework to reach consensus on categorizing end/primary and secondary beneficiaries for ER Program as shown in figure below.



Task 4. Identification of non-monetary benefits

- Discuss the possible non-monetary benefits that will be generated from the ER Program
- Identify the communities and group of people relevant to each of the identified non-monetary benefit considering their need of and contributions to their individual and households thereby producing resultant effects towards reducing emissions and enhancing carbon stock.

Task 5. Group presentation

Sharing and interaction for suggestions and concern

- Sharing of draft funds-flow institutional set up with the participants and discuss the following points for their suggestions, concerns and acceptance
 - Option of funds flow (Option 1. FDF' or 2. Conditional Grants or 3. Federal Dividend Fund under the Intergovernmental Fiscal Arrangement Act, 2074 BS.
 - Layer of institutional set up for benefit distribution
 - Representation on funds-flow institutional set up both federal and local level
 - Representation in signatory body
- Sharing of tentative mode of payment and proportion in different costs heading and discuss on the following points for their suggestions, concerns and acceptance
 - Proportion of benefit distribution between government and forest groups
 - Benefit Distribution among households within forest groups (how to maintain equity among poor IPs, Dalits, Madhesis, Muslims and women)
 - Effectiveness of Basic Allocation to forest-dependent households outside forest groups
- **Effectiveness of Investment Plan**
- How do forest groups and individual households ensure persistent performance both in reducing deforestation and forest degradation and enhancing carbon stocks in their forests?) (roles)
- How to monitor women and men of individual households, social groups and forest groups contribution to the Emission Reduction (through reducing deforestation and forest degradation) and enhancement of the carbon stocks.

In-depth interaction was organized individually with some of the key selected stakeholders such as women and men of IPs, Dalits, Madhesis, Muslims, and government representative. The points for the interaction will be contextual or discussion will start with the some of the contesting points/issues generated in plenary discussion. The aim of the in-depth interaction is to manage expectation, get deep insights of issues and concerns about the benefit sharing, and clarify the roles in ER Program.

ANNEX 5: PARTICIPANTS OF LOCAL AND PROVINCIAL LEVEL STAKEHOLDER CONSULTATION

Table 9: Province and Local Level Stakeholder Consultation

Consultation venue	Districts covered	Date	Participants details		
			Total	Gender	Caste details

				Men	Women	Brahmin & Chhetri	IPs	Dalits	Madhesi/ Muslims
Simara, Bara	Rautahat, Bara & Parsa	June 12, 2019	33	24	9	12	15	2	4
Bharatpur, Chitwan	Chitwan & Nawalpur	June 13, 2019	33	22	11	22	11	0	0
Butwal, Rupandehi	Parasi & Rupandehi	June 14, 2019	21	12	9	9	10	1	1
Lamahi, Dang	Kapilvastu & Dang	June 16, 2019	32	25	7	18	8	2	4
Nepalgunj, Banke	Bardia & Banke	June 17, 2019	32	23	9	16	8	5	3
Dhangadhi, Kailali	Kanchanpur & Kailali	June 18, 2019	29	19	10	17	9	2	1
Total			180	125	55	94	61	12	13

ANNEX 6: SUMMARY OF STAKEHOLDER CONSULTATIONS ON CATEGORIZATION OF BENEFICIARIES BY PROVINCES

Table 10: Consultation in Rautahat, Bara, Parsa districts, Madhesh Province

Content of discussion on identification beneficiaries		Outcomes/suggestions		
		Rautahat	Bara	Parsa
Forest management (state, communal, private and traditional)	Government	Govt-MFs, National Park	Govt-MFs,	Govt-MFs, National Park
	Communal	CFs, CoFs, RFs,	CFs, CoFs, RFs,	CFs, CoFs, RFs,
	Traditional and customary practices	Occupational groups (coal, fishing, leaf-plate making)	Religious forests, Tamang and IPs	
	Private	Private forests	Private forests	
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Women of IPs, Income poor, Dalit and marginalized households,	Forest groups members	Poor dalits, Musahar, Chamar, Hajara, Chepang, Mjar, IPs – poor Tharu, newar, Tamang, Magar, Rai and Limbu
	Potentially high contributors in future	Government offices, stakeholders local government	DFO, cooperatives, communities involved in plantation on public land, Local government, organizations involved in medicinal	Single women, Dalit women, IP women, Tharu, Newar women, people residing near forests, forest user groups, FECOFUN, religious forest users
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Poor households, women, IPs and Dalit women (Tharu, Magar, Tamang, Majhi, Yadav, Lohar, Musahar, Chamar, Blacksmith, Dom, Muslims, Dushadh	Firewood collectors, Leaf, Mushroom, Niuro, Vegetable collectors, people rely on Giti, and Dhunga,	Poor dalits, Musahar, Chamar, Hajara, Chepang, Mjar, IPs – poor Tharu, newar, Tamang, Magar, Rai and Limbu
	Potential loss of occupational and customary practices		Tenants, temporary residents	Mijar, Tharu, Mushahar, Majhi,
Forest-dependent communities outside forest groups for survival		Madhesis Dalits, income poor, Muslims southern part, poor IPs, Immigrants	Madhesi Dalits, income poor	Mijar, Tharu, Mushahar, Majhi, Tamang, Magar women, Bhujel, single women, Newar, Bishowkarma

Table 11: Consultation in Chitwan, Bagmati Province and Nawalpur, Gandaki Province

Content of discussion on identification beneficiaries		Outcomes/suggestions	
		Chitwan, Bagmati Province	Nawalpur, Gandaki Province
Forest management (state, communal, private and traditional)	Government	Govt-MFs, National Park, Protected forest committee	Govt-MFs,
	Communal	CFs, CoFs, RFs, LHF	CFs, CoFs, RFs, LHF,
	Traditional and customary practices	Chepan community conserving Chiuri Trees, coal-making by blacksmiths, leaf-plate, Bote-Majhi Mushahar, Tharu, Magar, Kumal, Danuwar, Darai, Limbu, Tamang, and CFUG members	
	Private	Private forests	Private forests
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Mulbasi and forest users	Tharu communities – Niuro, Thakal, Babiyo collectors (Bote- Majhi and Mushar) Poor IPs (Magar, Tharu), Dalit and their women, Brahmin, Chhetri, Gurung, Darai.
	Potentially high contributors in future	Local government, community school, enterprise and private enterprise owners, government offices	Tharu, Magar, Darai, Kumal, Bote-Majhi Musahar
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Women of Chepan, Tharu, Darai, Tamang, Dalits, single women, women from low-income households	Poor households of all caste groups, IPs and Dalits, and their female members for grass, firewood,
	Potential loss of occupational and customary practices	s, Bote-Majhi Musahar	Bote-Majhi Mushar outside National Park, IPs
Forest-dependent communities outside forest groups for survival		IPs, illegal poachers, illegal harvesters, Non-timber forest product owners Dalit women, single women, Chepan and income poor households.	Bote-Majhi Mushar outside National Park, IPs and their women

Table 12: Consultation in Parasi, Rupandehi and Kapilbastu districts, Lumbini Province

Content of discussion on identification beneficiaries		Outcomes/suggestions		
		Parasi	Rupandehi	Kapilbastu
Forest management (state, communal, private and traditional)	Government	Govt-MFs,	Govt-MFs,	Govt-MFs
	Communal	CFs, CoFs, RFs, LHFf,	CFs, CoFs, RFs, LHFf, Public land	CFs, CollFs, RFs, LHFf,
	Traditional and customary practices	Babiyo/roof material collector, Grass cutter/herder, Coal collector, Linga, Fisher, Niuro collector	Dhakiya, Broom, Khatiya maker- Tharu, Doko, Dalo and Namlo – Magar, Madal-Sarki, Coal and Instrument Handle-Blacksmith, Livestock rearing – Tharu and Magar, Dalit, Medicinal users, domestic alcohol maker— poor Magar, Gurung women	Tharu, Mahuwa
	Private	Private forests	Private forests	PFs,
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Women Herder, women leaf collector, women Niuro collector, Grass cutter, Forest watcher, Household nearby forests, Muslims, Dalit women, Tharu women, Hill women	Forest close to communities, IPs- Magar, Gurung, Tamang women and men, forest watchers, Temple pujari, Executive committee, Poor Dalit women,	Poor and IPs households (Tharu, Magar, Gurung, Tamang, Majhi and Newar) and their women, Chhetri, Brahmin, and poor women
	Potentially high contributors in future	Community nearby forests, mother groups, media, eco-club, timber seller, NGOs , distant users	Private forest owners, Agriculture groups, women groups, IPs (Tharu, Magar, Gurung and Dalit)	Women, Firewood collector/seller, herder, Dalit women and men, IPs women and men, Chhetri and brahmin
Dependency for survival and traditional/ occupations	High dependency on forests for survival	Poor households, Madhesis, Dalits and IP women, Poor households nearby forests	Firewood sellers Forest-dependent people Timber contractors	Poor IPs and Dalit women (Tharu, Gurung, Tamang, Magar) Local communities
	Potential loss of occupational and customary practices	Babiyo/roof material collector, Grass cutter/herder, Coal collector, Linga, Fisher, Niuro collector	Blacksmith- coal for survival, Tharu, Magar, Tamang and Gurung women	Dalit, Herder, Tharu women (Mahuwa) Tamang, Gurung women (Leaf Plate) , Dalit (Coal collection)
Forest-dependent communities outside forest groups for survival		Silaute, Lohar (blacksmith for coal), dalit and IPs women, Firewood seller	Tharu-women- Babiyo collection, Rental households, Nomadic, monks, Coal makers – blacksmith, domestic alcohol makers Indigenous Peoples women	Banjara

Table 13: Consultation in Dang, Bank, Bardia district, Lumbini Province

Content of discussion on identification of beneficiaries		Outcomes/suggestions		
		Dang	Banke	Bardia
Forest management (State, communal, private and traditional)	Forest management legal ownership	Govt-MFs	Govt-MFs, National Park	Govt-MFs, National Park
	Communal	CFs, CollFs, LHF, Govt-MFs,	CFs, CollFs, RFs, BZFs	CFs, CollFs, RFs, BZFs
	Traditional and customary practices	RFs,	No	Raji, Raute, Sonaha, Gaine, Tharu, <i>Badghars</i> , Chaukidar, communities worshipping Barpipal, Hindu
	Private	PFs,	PFs,	PF
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Poor IPs (Tharu) and Dalit, religious forests	Poor Dalit, Magar, Kumal, Madhesi, Muslim	Tharu, Newar, bahun, Chhetri, women of all social groups, youth club, forest group executive committee, Madhesi, Muslim women, women CFUG
	Potentially high contributors in future	Forest users specially low-income households, religious forests, Pujari (Priest)	Retired army, police, Youth clubs, women groups, Firewood sellers, returnees, timber contractors	Eco club, women's groups, <i>Badghars</i> , Tole improvement committee.
Dependency on forests for survival and traditional/ occupations	High dependency on forests for survival	Tharu, Yadav, Magar, Tharu Kumal, Coal collector, IPs	Tharu, Chidimar, Madhesi, Muslim, Kumal, Khuna, Badi,	Poor households, women, children, unemployed youth, Lohar (coal), Sonaha, Raji
	Potential loss of occupational and customary practices	Tharu, Tharu Kumal, and their women, Religious forests	Kumal, Khuna, Badi, Lohar – Coal collector, Yadav (Ahir)	Lohar (coal), farmers
Forest-dependent communities (for their survival) not belonging to forest groups	Forest-dependent communities outside forests	Landless Tharu, Dalits, IPs, Brahman, Chhetri, Employment-less households, Coal collector, women (leaf plate makers)	Chidimar, Grass seller, Kumal (Madhesi), Pathakata, Distant users	Raute, Free bonded labour (Mukta Kamaiya), Sukumbasi (slums), firewood collector, herder, Lohar (coal), farmers

Table 14: Consultation in Kailali and Kanchanpur district, Sudurpaschim Province

Content of discussion on identification of beneficiaries	Outcomes/suggestions
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		Kailali	Kanchanpur
Forest management (State, communal, private and traditional)	Forest management legal ownership	Govt-MFs,	Govt-MFs, National Park
	Communal	CFs, CollFs, RFs,	CFs, CoFs, RFs, BZFs
	Traditional and customary practices	Kumale (Firewood), Raji- Honey hunter, Medicine collectors, Tharu- Leaf and firewood	Mohana forests connected with Sukhalaphanta NP, Family forests, river side forests
	Private	PF	PF
Contribution, costs and liabilities within forest groups	High contributors to conserve forests and reduce forest degradation	Poor Tharu women, Poor Dalit and other	Rana Tharu, Chaudhary, free bonded labor, Muktha Haliya, National Park Victim (most affected communities), Dalit – Doko, namlo, dalo, betbans, broom
	Potentially high contributors in future	IPs, clubs, women groups, anti-poaching units, FECOFUN, NEFIN, HIMAWANTI, Forest staffs, COFSUN, Politician, Local conservation committee, DFO	Eco-club, poor households—Dalit, Rana tharu, Chaudhary, Lohar, Parki, Sarki, Badi, Kumal, Raute, Majhi and women of these groups
Dependency on forests for survival and traditional/ occupations	High dependency on forests for survival	Tharu women (Leaf, Firewood,), Raji (honey and fruits), Kumale (need firewood for mud-pot making), Raute (wooden pots) and poor households (agricultural equipment)	Parki, Sarki, Badi, Lohar, Chaduhary, Rana Tharu, Raji, Raute, Majhi, Firewood Collector (Daure)
	Potential loss of occupational and customary practices	Traditional customs and practices	Raute, Majhi, Raji, Black smith, cobbler, Medicinal collector
Forest-dependent communities (for their survival) not belonging to forest groups	Forest-dependent communities outside forests	Raute and Landless people	Seasonal livestock herder, seasonal migrants (Magar, Dalit), Medicinal, fruits, grass collectors – Rana Tharu, Dalit, Chaudhary, Raute, Raji and others

ANNEX 7: OVERVIEW OF NON-MONETARY BENEFITS IDENTIFIED THROUGH STAKEHOLDER CONSULTATIONS

Table 15: Non-Monetary Benefits Identified through Stakeholder Consultations

District	Types of non-monetary benefits	Target groups
Rautahat	Capacity-building training on income-generating activities Forest products (timber, firewood, medicinal plants)	Low-income Dalit households Distant users
Bara	Capacity-building training, skill based-and income-generating activities, employment Leadership training, income-generating activities and employment Capacity-building training, training based on the right to natural resources Capacity-building training to enhance the right to natural resources	Low-income households Women Dalits and marginalized households (minority groups) IPs
Parsa	Leadership training and skill-based training Leadership and skill-based training and employment Awareness training and leadership training	Poor, domestic violence affected IPs women Conflict victims IPs and Dalits FECOFUN, Forest user committee and local stakeholders
Chitwan	Training on income-generating activities Capacity building Skill development Employment generation Modern equipment for fire protection and training	Socially and economically marginalized groups Poor households of Dalit, (single) women, and IPs All members of forest user groups
Nawalpur	Forest management training Forest fire control training Forest fire control equipment Fireline construction training Control of illegal harvesting Control of encroachment Mobilization of revolving fund for income-generating activities	Forest users Forest users and DFO Forest users and DFO Forest users and DFO Forest users Forest users Forest users
Parasi	Women's empowerment Leadership training Seedling distribution Account keeping training Skill-development training Leaf plate making training Modern fishing technology Firefighting training	Poor women, Madhesis women Forest users Private forest owners/CFUGs Executive committee treasurers Dalit women Hill women Tharu, Bote-Majhi Forest users
Rupendehi	Firefighting	Forest watchers, households with nearby forests

	Weeding and cleaning instruments Medicinal processing technology and materials Briquette, biogas and ICS Income-generating activities Leadership training Modern iron working technologies and skills Traditional knowledge conservation Sustainable forest management	Forest user groups IPs Local communities IPs (especially women) IPs, Dalit women and forest-dependent poor households Blacksmiths and Dalit men IPs Forest groups
Kapilvastu	Leadership training Forest management training training on GESI perspectives Gender sensitivity training for men REDD training Seedling production and distribution Firefighting GIS training Skill-based training IPs' culture protection	IP women and EC Executive Committee Staff and Technician Minority group Forest groups and all Private Forests Owners Forest groups/IPs Staff/Technician IPs and Dalit women IPs
Dang	REDD+ training Leadership training and governance Income-generating and skill-based training Leadership Training Gender sensitivity training for men	Local communities permanently residing in communities Men leaders and elected leaders Poor women Women Men leaders (forest groups)
Banke	Skill-development training Training on carbon measurement	Target groups: women, Dalit, IPs, Madhesis, and Muslims Preparation of Local Resource Persons in each forest group engaging Madhesis, Muslims, poor and Dalit for employment generation
Bardia	Leadership training, capacity development, awareness training Vocational training, skill development training Account training, forest management training, disaster risk reductions Technical training/Forest carbon measurement training Forest Fire control training	Poor households, wildlife victims, nearby forest users Tharu, Muslims, Madhesis, and poor household women EC members Facilitators Youth club, eco-club, EC members, Badghars, forest watchers
Kailali	ICS Coal making Skill and capacity building training Firefighting training and equipment	Firewood dependent households Coal collectors (blacksmith) and Raji makers of mud pots Low-income (poor) households and women FUG members

	Nursery establishment and seedling production Medicinal production training	CFUGs, private forest owners, Medicinal promoters, private forest owners
Kanchanpur	Firefighting training Income generating training Scholarship Account management training Seed distribution Firewood collection from river for forest-dependent communities outside forest groups	Forest user groups Dalit and IPs Dalit and IPs EC members Private forest owners Communities outside forest groups

ANNEX 8: RECOMMENDATIONS FROM LOCAL AND PROVINCIAL STAKEHOLDERS ON FLOW OF FUNDS MECHANISM AND PAYMENT MODALITIES

Table 16: Recommendations on Flow of Funds Mechanism and Payment Modalities

Districts	Funds flow institutional setup	Mode of payment
Rautahat, Bara and Parsa	• Mechanism for distribution of money received should be simple • Conflict between existing forest management initiatives such as scientific forests and goals of ER Program • Distribution of benefits through FDF would be better	• 80% allocation of benefits to local communities is appreciative • Poor households should be benefitted
Chitwan and Nawalpur	• Benefit sharing mechanism under NORAD REDD+ project could be lessons for ER Program • Need a clarification mechanism to distribute benefits to the Chepang (an IP that have been managing forests using customary practices) • Women representation in steering committee should be at least 50%	• 80% allocation of benefits to local communities is appreciative • How to differentiate households for benefits within forest groups
Parasi and Rupandehi	• FDF is an appropriate approach • Contribution of private forests should be accounted for the distribution of benefits • Role of Province Forest Directorate should be clear	• Bote-Majhi and Musahar should be major beneficiaries. • Intragroup equity is key to ensuring sustainable reduction of deforestation and forest degradation.
Kapilvastu and Dang	• Number of representatives in local level steering committee is not clear • Role of Local Government should be clear in funds-flow mechanism	• Current benefit distribution in community-managed forests, including community forest user groups, is not equitable. The benefits do not reach vulnerable groups such as IPs and others, so a separate channel should be developed under the ER Program to ensure these groups also benefit from the BSP.
Banke and Bardia	• FDF will be a suitable mechanism among three options • Representation of CSOs in steering committee should be more than government representatives • Women's representation at steering committee should be 50%	• Distribution of ER benefits within forests should be based on current practices. However, the distribution of provision of new Forest Act, 2019 is not clear. • Free bonded labor, Raute (one of the highly vulnerable IPs who seasonally migrates) specially in Bardia and Banke should be benefits
Kailali and Kanchanpur	• Proposed allocation percentage is acceptable to the local communities • Role of Provincial Government, especially the provincial Forest Directorate is not clear	• Tharu and other marginalized groups should be benefitted much from the benefit distribution. • More benefits should be allocated to the forest user groups. Money should not be invested in administration costs.

ANNEX 9: OUTCOMES OF NATIONAL CONSULTATION WITH WOMEN REPRESENTING DIFFERENT NETWORKS (GOVERNMENT, CSOs, AND PRIVATE SECTOR)

Venue: Babarmahal, Kathmandu

Date: June 19 and 21 June, 2019

Organizations represented: HIMAWANTI, NIWF, COFSUN, NWCF, FECOFUN, COFSUN, Department of Environment, AFFON, Ministry of Forest and Environment, DNPWC

Number of participants: 39 (Women: 38; IPs: 13; and Dalits: 8)

Table 17: Consultation with the Women Representative Organizations and Outcomes

Agenda item	Agenda item details	Concerns and suggestions
Windows for benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Unanimously voted for the Development of Special Fund i.e. FDF is appropriate. Their views on second and third models were that government may have high control over the funds-flow and percentage of money for the local communities would decrease.
Institutional setup for flow of funds (roles at federal, provincial and local level)	- Steering committee - Representation - Tiers and levels of institutional setup - Reporting system	While women occupy 51% of Nepal's population, at least 50% of women representatives should be in each steering committee (funds-flow decision-making bodies). Women from diverse caste/ethnic background, geographic and ecological zones. Government representatives in federal steering committee should be only from the concerned government authorities such that most of the representation would be from CSOs. Women elected member should be in local level steering committee Clarify the role of provincial level Forest Directorate
Criteria for benefit distribution	Based on contribution Based on inputs and costs Based on social justice Combination of all Basic Allocation	Customarily managed and protected forests should be reflected in the funds-flow mechanism and benefit them accordingly. Needs more clarification on the bases of allocation of Basic Allocation. It is good but needs to clarify.
Criteria for benefit sharing among forest management regimes	Proportion of benefits proposed to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	Need clarification to GESI group More clarity is needed on Investment Plan or implementation plan. Guidelines should be developed to simplify the Investment Plan. At least 80% benefits of the total should go to local communities as guaranteed by the Climate Change Policy, 2011 and 2019
Non-monetary benefits	Services Goods	Both monetary and non-monetary benefits

ANNEX 10: OUTCOMES OF CONSULTATION WITH CSOs (FEDERATIONS)

Venue: Kathmandu (FECOFUN in Bijuli Bazar, ACOFUN in Babarmahal, NEFIN in Thamel, RDN- Boudha, DNF- Tripureshwor, YFIN- Durbar Marg and DANAR in Budhanilkantha)

Date: June 20–25, 2019

Organizations represented: FECOFUN, ACOFUN, NEFIN, RDN, DNF, DANAR, YFIN)

Number of participants: 11 (1 woman; IPs: 2; Dalit: 3)

Table 18: Consultation with the Community Organizations and Outcomes

Key agenda	Agenda details	Concerns and suggestions
Windows for benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Development of a special fund such as a FDF is appropriate. However, the decision-making body of FDF is not inclusive. How to link FDF committee to REDD+ Strategy suggested committee.
Funds flow and institutional setup (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional setup Reporting system	Representation of CSO should at least 50% or more than government representatives Transparent and accountable governance system Signatory entity at local level should be nominated by steering committee of the same level. Keep it open now. Make funds-flow institutional set of less tiers
Criteria for distribution of benefits	Based on contribution Based on inputs and costs Based on social justice Combination of all basic allocations	• IPs, Dalits, women for their historical contribution to the forest management and social justice • Must account for forest being managed by IPs with customary practices. Respect to cultural rights. • Benefit should be distributed based on population share and positive discrimination. • Special provision/mechanism should be developed for IPs and Dalits to ensure equity and social justice in benefit sharing plan. • Idea of basic allocation is good but specific criteria need to be developed for this basic allocation. • Representation of IPs and Dalits should be ensured at all levels of decision-making bodies/institutions. • In many cases, Dalits are excluded from community forest user groups. These excluded groups should be included as formal members in the community forest user group. • Distribution of basic allocation should focus on the excluded groups from being member of community forest user groups • Identify the reason for not including the Dalits and other households in community forest user groups. Make it easier for these groups to become formal members of community forest user groups. • Indicate forest under customarily managed in the funds-flow mechanism • Priority should be given to communities that are highly forest-dependent for their livelihood, highly marginalized and economically vulnerable families or groups among the IPs. • Need a free membership provision in community forest user groups.

Criteria for benefit sharing among forest management regimes	Proportion of benefits proposed to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	IPs should receive BSP benefits in recognition of their historical role in and contribution to forest conservation and sustainable forest management.
Non-monetary benefits	Services Goods	• Priority should be given to providing beneficiaries with monetary benefits (cash) rather than non-monetary benefits. • Forest groups can decide themselves—in consultation with households' beneficiaries—how to use the funds. • Non-monetary benefits should include empowerment, skill development

ANNEX 11: OUTCOMES OF CONSULTATION WITH EXPERTS

Venue: (RECOFTC- Lalitpur, SIAS- Baneshwor, NFA- Babarmahal, IWMI- Babarmahal) Kathmandu

Date: June 20–25, 2019

Organizations represented: RECOFTC, SIAS, NFA, IWMI

Total participants: 4 (1 woman; and 1 IP)

Table 19: Consultation with the Experts and Outcomes

Key agenda item	Agenda item details	Concerns and suggestions
Windows for benefit distribution	Special fund, conditional grants or Federal Dividend Fund	Development of Special Fund such as FDF is appropriate. However, we do not have good experience on FDF. But still it is better than the rest two options.
Institutional setup for funds flow (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional setup Reporting system	Reduce the number of tiers to enhance efficiency and simplify the administrative process Provincial representatives should be included in the federal level funds flow Decision-making steering committee. Doing so helps retain institutional memory, given there is no such steering committee at the provincial level.
Criteria for benefit distribution	Based on contribution Based on inputs and costs Based on social justice Combination of the above Basic allocation	- Poor households of IPs, Dalits, Madhesi, and other poor households and their female members represent groups at risk that should benefit from ER payments. - Consideration of three variables, besides the legal basis (i.e., contribution to ER, and forest dependency) to identify beneficiaries within forest groups is great. - Provision of basic allocation is appreciative but identification of these groups of beneficiaries is difficult. - Household level equity in forest groups is important as management over Nepal's forests is decentralized proportionally. This practice was exercised by the NORAD REDD+ project in Nepal. Lessons from this project would be useful.
Criteria for benefit sharing among forest management regimes	Proportion of benefits to government and community-managed forests. Distribution of benefits to community-managed forests: based on area or on households involved, benefit distribution among households within the forest groups (contribution, dependency and social justice)	- Condition and contribution of forest regimes vary by geographical and ecological zone. Making equity is critical in this situation. - Distribution of benefits based on the forest area to the government-managed and community-managed forest would not be fair and equity while local communities have historical volunteer contribution to the management of forests.
Non-monetary benefits	Services Goods	Distribution of both monetary and non-monetary benefits

ANNEX 12: OUTCOMES OF CONSULTATION WITH FEDERAL MINISTRIES

Venue: Singha Durbar, Kathmandu

Date: June 8, 2019

Consulted Ministries: Ministry of Finance, National Natural Resource and Fiscal Commission

Total participants: 3 (Joint Secretary and spokesperson—Dr. Gopi Krishna Khanal, and Under-secretary Mr. Kapil Subedi, from NNFRFC and Joint Secretary Mr. Thaneshwor Gautam from the Intergovernmental Fiscal Management Division of MoF)

Table 20: Consultation with the Federal Ministries and Outcomes

Key agenda item	Inputs and Suggestions
Introduction to ER Program: Benefit sharing within the ER Program	Objective of ER program was described, and idea of development of Benefit Sharing Plan as a precondition of the signing of ERPA was informed seeking their inputs on the funds-flow mechanism
Existing provision of benefit sharing in forest user groups	• FDF under the 2019 Forest Act, under process of approval by the “Federal Parliament” • No clarity on the operational process of FDF • Better not to develop a separate fund • Operation of FDF should comply with the national benefit distribution policy • However, FDF will be active once Act becomes approved • Ministry of Finance and Ministry of Forest and Environment should coordinate in this context

ANNEX 13: LIST OF PARTICIPANTS OF STAKEHOLDER CONSULTATIONS IN THE FIELD

Venue: Alpha House, Kathmandu, Nepal

Date: Tuesday, June 25, 2019

Table 21: List of participants in the stakeholder consultation

SN	Name of participant	Organization of participant	Designation	Gender	Caste details			
					B/C/O	IPs	Dalit	Madhesi
1.	Dr. Sindhu Pd. Dhungana	MoFE	Joint Secretary	M	✓			
2.	Mr. Chakra Pani Pandey	MoFE	Joint Secretary	M	✓			
3.	Mr. Bhim Prakash Khadka	FECOFUN	V Chairperson	M	✓			
4.	Mr. Thakur Bhandari	FECOFUN	Secretary	M	✓			
5.	Mr. Radheshyam Siwakoti	ACOFUN	Co-President	M	✓			
6.	Mr. Nirajan Khadka	NFA	Members	M	✓			
7.	Mr. Birkha Bahadur Shahi	FECOFUN	G. Secretary	M	✓			
8.	Ms. Arati Shrestha	MOLJPA	U Secretary	F		✓		
9.	Mr. Dilli Prasad Poudel	SIAS	Researcher	M	✓			
10.	Dr. Yadhav Prasad Kandel	Freelancer	Freelancer	M	✓			
11.	Mr. Chandra Man Dangol	MoFE	J Secretary	M				✓
12.	Mr. Yam Prasad Pokharel	FRCT	DDG	M	✓			
13.	Ms. Laxmi KC	HIMAWANTI	Chairperson	F	✓			
14.	Ms. Bina Shrestha	COFSUN	G. Secretary	F		✓		
15.	Ms. Jayanti Sharma	HIMAWANTI	UP	F	✓			
16.	Ms. Kamala Thapa	NIWF	Executive Director	F		✓		
17.	Ms. Basana Sapkota	Freelancer	Gender specialist	F	✓			
18.	Ms. Sharashowati Aryal	REDD IC	AFO	F	✓			
19.	Ms. Laxmi Neupane	NNRFC	AFO	F	✓			
20.	Dr. Pasang Sherpa	CIPRED	Chairperson	M		✓		
21.	Mr. Santosh Mani Nepal	WWF Nepal	Sr. Director	M	✓			
22.	Dr. Binod P Devkota	MoFE	Under Secretary	M	✓			
23.	Mr. Drona Raj Ghimire	World Bank	Sr Enr Sp	M	✓			
24.	Ms. Radha Wagle	REDD IC	Chief/Joint Secretary	F	✓			
25.	Mr. Gopal Prasad Bhattarai	DNPWC	DDG	M	✓			
26.	Dr. Pasang Dolma Sherpa	CIPRED	ED	F		✓		
27.	Dr. Eak Rana	Consultant	REDD+ expert	M		✓		
28.	Ms. Bishnu Kumari Adhikari	REDD IC	AS CO	F	✓			
29.	Mr. Ashok Parajuli	REDD IC	AFO	M	✓			
30.	Nr. Janak Padhya	REDD IC	U Secretary	M	✓			
31.	Mr. Shankar Adhikari	REDD IC	U Secretary	M	✓			
32.	Ms. Aakriti Poudel	ANSAB	Program Officer	F	✓			
33.	Dr. Menaka Neupane	Consultant	Freelancer	F	✓			
34.	Ms. Parbata Gautam	FECOFUN	Treasurer	F	✓			
35.	Mr. Jagat Bahadur Baram	NEFIN	Chairperson	M		✓		
36.	Ms. Srijana Shrestha	REDD IC	U Secretary	F		✓		
37.	Mr. Jograj Giri	AFFON	Chairperson	M	✓			

38.	Mr. Sunil Kumar Pariyar	DANAR	Founder	M			✓	
39.	Mr. Deepak Bhandari	Federation of Leasehold Forest	Chairperson	M	✓			
40.	Dr. Tek Maraseni	Australia	USG	M	✓			
41.	Ms. Prabata Sharma	PSPL	P Officer	F	✓			
42.	Mr. Prashant Poudel	PSPL	S Forest Off	M	✓			
43.	Mr. Jhanak Khatri	PSPL	Ad/Fin Officer	M	✓			
44.	Mr. Nabaraj Dahal	PSPL	ED	M	✓			
45.	Dr. Dil Bdr Khatri	SIAS	ED	M	✓			

Note: B/C/O = Brahmin, Chhetri and others.

ANNEX 14: OUTCOMES OF NATIONAL STAKEHOLDER SHARING WORKSHOP/CONSULTATION

Venue: Alfa House, New Baneswhor, Kathmandu.

Total participants: 45 (Women, IPs, 1 Dalit, Madhesis)

Table 22: National Stakeholder Sharing Workshop/Consultation and Outcomes

Key agenda item	Agenda item details	Concerns and Suggestions
Window of benefit distribution	Special fund, Conditional Grants or Federal Dividend Fund	Development of Special Fund such as FDF is appropriate. However, we do not have good experience on FDF. But still it is better than the other two options.
Institutional setup for flow of funds (roles at federal, provincial and local level)	Steering committee Representation Tiers and levels of institutional set up Reporting system	- Proposed tiers (to enhance efficiency and the administrative process) - CSOs' representation in both federal and local Level steering committee should be at least equal (current proposal of 11 government and 9 CSO representatives should be reviewed). - Women's representation should be at least 50% in the steering committee - Provincial representatives should be invited to sit on the federal funds flow decision-making steering committee. Doing so helps maintain institutional memory at the provincial level (which does not have such a steering committee) - The steering committees should be as small as possible to reduce its costs and enhance efficiency - Allows local level steering committee to select the representative for the signatory entity
Criteria for benefit distribution	- Based on contribution - Based on inputs and costs - Based on social justice - Combination of all - Basic allocation - Investment Plan	- Poor households of IPs, Dalits, Madhesis, and other poor households and their female members are at risk groups that should be BSP beneficiaries. - Consideration of two variables (i.e., legal basis, and contribution and forest dependency) to identify beneficiaries within forest groups is great. - Provision of a basic allocation is commendable to guarantee the concerns of forest-dependent communities outside forest groups. This may help to maintain equity among the non-member forest-dependent communities. However, a systematic inventory process should be developed to identify the genuine communities in this category. - The idea of an Investment Plan is good to enhance intragroup equity. However, it should not force forest user groups to manage fiduciary risks, as forest user groups have shown their accountability in forest management.
Criteria for benefit sharing among forest management regimes	Sharing of benefits between government- and community-managed forests, based on area or profile of households involved) and benefit sharing among households within the forest groups	- Substantial benefits (at least 80% of total benefits, as guaranteed by the climate change policy) should go to local communities. - Distribution of benefits to the government and communities based on the forest area managed in an equal ratio would not be fair and equitable, given that local communities have historically voluntarily contributed to the management of forests. Thus, to ensure equity and fairness, the communities that manage forests should receive larger benefits per forest area than the government. - To simplify the benefit distribution among forest groups, it should be based on the profile of the household members of the respective forest groups rather than the area they manage, even though forest areas are not evenly distributed. - Household level equity in forest group is important, as Nepal is decentralizing its forest management. This practice was exercised by NORAD REDD+ project in Nepal. Lesson from this project would be

		useful. The major point is that benefits should go to poor IPs, Dalits and Muslims and their female household members • Private forests should also be included in the ER Program benefit distribution process • Some forests in the ER Program are under the management of customary practices. An inventory should be done and ensure the benefits to these communities
Operational and management costs	Costs for MRV, communication, and carbon registry	• Costs for carbon registry system and MRV should separately be allocated. Operation cost should cover safeguards unit Development of national carbon registry system may reduce the costs of transaction
Non-monetary benefits	Services Goods	Distribution of monetary and non-monetary benefits

ANNEX 15: DETAILS OF INVESTMENT PLANS

Table 23: Investment plan

SN	Heading	Descriptions
1	Investment Plan	An Investment Plan of community -managed forest groups is a commitment document to avoid potential environmental and social risks and to ensure their contribution to emission reduction.
2	Who prepare	Community-managed Forest groups prepare it
3	How it is prepared	Executive committee of each community and customary forest group prepares an Investment Plan that explicitly specifies 1. Forest activities (implemented and planned to implement), 2. Distribution of ER benefits among households within the groups- identifying – list be beneficiaries – men and women, caste/ethnic groups, and the form of benefits – monetary or non-monetary (materials), proposed activities with the support of this benefit, which should not be ineligible (i.e., vegetable farming, grocery running, pig rearing, etc).
4	Complementary with existing forest plan	Existing plan is a period plan, which is generally developed for 10 years. The forest operation plan provides a general description of the long-term forest management activities including harvesting techniques and benefit distribution. Within the scope of existing forest operational plan, forest groups prepare an Investment Plan particularly considering the ER program without contradicting with regular forest activities of forest operational plan
5	Implementation	Implementation of the activities in the Investment Plan is part of the forest user groups' regular activities. These activities focus on ER activities (concentrated on avoiding ineligible activities).

ANNEX 16: PERFORMANCE-BASED BENEFITS ALLOCATION AMONG/BETWEEN AND INTRA-BENEFICIARY GROUPS

Distribution and allocation of benefits received as the results-based payment for the verified emissions reductions from the ER program to the identified beneficiaries has been discussed in detail in Section 2. Allocation of the benefits among the different groups of eligible beneficiaries identified is discussed in Section 2.3 and shown in Figure 6. Similarly, performance-based allocation to government institutions responsible for government managed forests and community-based forest management groups is described in Section 2.3.3. Fund flow mechanism is discussed in Section 3.2 and shown in Figure 9. Here, performance-based benefits allocation among/between and intra-beneficiary groups is described as discussed and agreed among the REDD IC, FECOFUN, ACOFUND and NEFIN (Minutes of the agreement is attached).

A. Allocation of performance-based benefits among the different Community Forest Users' Groups (CFUGs)

- Total amount of the benefits that will be available for distribution among all the **Community Forest Users' Groups** of the ER program area

$$= \frac{\text{Total forest area under all CFUGs}}{\text{Total forest area under all CBFM Groups}} \times (43\% \text{ of the total payment received at FDF})$$
- This amount will then be divided among the **five different CFUGs** based on the forest area specified in the following Table.
- The total amount allocated for each of the **five categories** will then be distributed to **individual CFUGs** of that category based on the area of the forest of the CFUG (proportional to the total area under the category).
- **CFUGs** must submit the investment plan of the benefits (that will be received) as per the criteria provided in the Table and fulfil other criteria described in this BSP. Plans (Proposals) will be selected based on quality (Best proposals will be selected).

CFUGs having forest area (ha)	Benefit sharing (% of the total for CFUGs)	Benefits that need to be spent on- (%) of the total benefits received		
		Forest Protection and Biodiversity conservation /Forest Restoration /Afforestation/ Carbon stock enhancement/Sustainable forest Management	Capacity Building/ Livelihood improvement	Total
< 30	15	25	75	100
31-75	20	25	75	100
75-250	35	25	75	100
251-500	20	25	75	100
>500	10	25	75	100

Total	100			
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B. Allocation of performance-based benefits among the different Collaborative Forest Users' Groups (Collaborative FUGs)

- Total amount of the benefits that will be available for distribution among all the **Collaborative Forest Users' Groups** of the ER program area

$$= \frac{\text{Total forest area under all Collaborative FUGs}}{\text{Total forest area under all CBFM Groups}} \times (43\% \text{ of the total payment- at FDF})$$
- This amount will then be divided among the **three different Collaborative FUGs** based on the forest area specified in the following Table.
- The total amount allocated for each of the **three categories** will then be distributed to individual **Collaborative FUGs** of that category based on the area of the forest of the **Collaborative FUG** (proportional to the total area under the category).
- **Collaborative FUGs** must submit the investment plan of the benefits (that will be received) as per the criteria provided in the Table and fulfil other criteria described in this BSP. Plans (Proposals) will be selected based on quality (Best proposals will be selected).

CFUGs having forest area (ha)	Benefit sharing (% of the total for CFUGs)	Benefits that need to be spent on- (%) of the total benefits received		
		Forest Protection and Biodiversity conservation /Forest Restoration /Afforestation/ Carbon stock enhancement/Sustainable forest Management	Capacity Building/ Livelihood improvement	Total
Up to 1500	15	25	75	100
1500 - 2500	20	25	75	100
>2500	35	25	75	100
Up to 1500	30	25	75	100
Total	100	25	75	100

C. Allocation of performance-based benefits among the different Buffer Zone Community Forest Users' Groups (BZ CFUGs)

- Total amount of the benefits that will be available for distribution among all the **BZ CFUGs** of the ER program area

$$= \frac{\text{Total forest area under all BZ CFUGs}}{\text{Total forest area under all BZ CFUGs}} \times (15\% \text{ of the total payment received at FDF})$$
- This amount will then be divided among the **three different BZ FUGs** based on the forest area specified in the following Table (Column 1).
- The total amount allocated for each of the **three categories** will then be distributed to individual **BZ FUGs** of that category based on the area of the forest of the **Collaborative FUG** (proportional to the total area under the category).
- **BZ FUGs** must submit the investment plan of the benefits (that will be received) as per the criteria provided in the Table and fulfil other criteria described in this BSP. Plans (Proposals) will be selected based on quality (Best proposals will be selected).

BZ CFUG having forest area (ha)	Benefit sharing % (Considering 15 % of the total 80% for the BZ CFUG as the 100%)	Benefits that need to be spent on- (%) of the total benefits received			
		Forest Protection/restoration, carbon stock enhancement and Biodiversity conservation	Human-wildlife Conflict Management	Capacity Building/ Livelihood improvement	Total
< 50	40	35	35	30	100
51-300	30	35	35	30	100
>300	30	35	35	30	100
Total	100				

D. Allocation of performance-based benefits among the different DFOs under the Government Managed Forest

- Total amount of the benefits that will be available for distribution among all **DFOs** of the ER program area

$$= \frac{\text{Total forest area under all DFOs}}{\text{Total forest area under all DFOs}} \times (42\% \text{ of the total payment received a FDF})$$
- This amount (42% of the 80% of the total payments received at FDF) will then be divided among the **DFOs** based on the forest area under each of the **DFOs** of the ER program area.
- DFOs need to include activities on which the benefits will be spent on the annual plan..
- DFOs will spend 60% of the benefits received on different activities (as specified in the following table) within the government managed forests. DFO will take decision on the programs/activities
- The remaining 40% needs to be spent on different activities in the CBFM groups. Plan (proposal) will be selected based on quality (best proposal will be selected for program/activity implementation)

DFOs	Benefits that need to be spent on- (%) of the total benefits received				
Benefit sharing (% of the total benefits received by the DFO) based on the area	%	Forest Protection Biodiversity conservation	Forest Restoration/Afforestation/Carbon stock	Capacity Building/ Livelihood improvement	Total
Program for Government Managed Forests	60	40	20	40	100
Program for CBFM Groups	40	20	40	40	100
Total	100				

आज मिति २०८१/०५/०८ गते शुक्रवारका दिन रेड कार्यालयन केन्द्रका केन्द्र प्रमुख नवराज पुडासैनीको अध्यक्षतामा बैठक बसि मिति २०८१/१/६ र ७ गतेको रेड कार्यक्रमको लाभाला विरूपा सम्बन्धि कार्यक्रमको फलफलको इच्छात्रा देहाय वगैरैको उपस्थितिमा तपसिल वगैरैको विषयमा सर्वसम्मत निर्णय गरियो ।

उपस्थिति :

- १) नवराज पुडासैनी, केन्द्र प्रमुख, रेड कार्यालयन केन्द्र
- २) प्रकाश थापा, उप-सचिव, रेड कार्यालयन केन्द्र
- ३) प्रकाश दौपाहा, उप-सचिव, रेड कार्यालयन केन्द्र
- ४) शाहना काफ्ले, वन अधिकृत, रेड कार्यालयन केन्द्र
- ५) सुजला प्र. पुर्याल, वन अधिकृत, रेड कार्यालयन केन्द्र
- ६) विष्णु कुमारी अधिकारी, भू-संरक्षण अधिकृत, रेड कार्यालयन केन्द्र
- ७) रेखा कुडुगाना, लेखा अधिकृत, रेड कार्यालयन केन्द्र
- ८) शाहना बर्योपाने, कौषाध्या, फेकोफन .
- ९) प्रदिप बुढाथोकी, उप-निर्देशक, RECOPTC, Nepal .
- १०) मधुकेश गुप्ता, आखेवासी जग्गाली संयोजक, CIPRED .
- ११) सीता अर्याल, कार्यकारी निर्देशक, FECOFON .
- १२) विश्व बहादुर शाही, वरिष्ठ उपाध्यक्ष, FECOFON .
- १३) शैलज निरेल, उपाध्यक्ष, NEFIN .

१४) अध्यक्ष मनी सुभाषाई, महासचिव, FEMFIT, Nepal .

१५) इन्द्र प्रसाद कोइराला, उपाध्यक्ष, कञ्चुलिपती वन महासंघ
जोगराज जेरी, अध्यक्ष, AFFON .

१६) रवि वधु अरु कुमारी बज्र, सचिव, NEPAN .

१७) आश्वी श्रेष्ठ, व. उपाध्यक्ष, हिमावती, नेपाल

१८) निरा देवी लकाल, कोषाध्यक्ष, एकोफन

१९) रमणी कान्त शर्मा, केन्द्रीय सचिव, एकोफन

२०) विकास सुवेला, सचिव, नौफेन

२१) यमुना खड्काल, सचिव, नौफेन

२२) विशार नोसद. श्रेष्ठ, सह कोषाध्यक्ष, नौफेन

२३) श्रीषा देवकुमारी, सञ्चार अधिकृत, RECOFIC .

२४) रमेशमोहन पौडेल, राष्ट्रिय संयोजक, UN-REDD

२५) रामायण प्रसाद कडेल, सेफ गार्ड विज्ञ, REDD-IC .

२६) लिबा के.सी, सञ्चार अधिकृत, REDD-IC .

प्रस्तावहरू:

- लाभ बाडफाँट योजनाका सम्बन्धमा अर्थ मन्त्रालयको राय/सहमतिको पत्र सम्बन्धमा ।
- लाभ बाडफाँट योजनाको अनुसूचीमा समावेश गर्ने विषयका सम्बन्धमा ।

निर्णयहरू:

१. प्रस्ताव नं. १ (लाभ बाडफाँट योजनाका सम्बन्धमा अर्थ मन्त्रालयको राय/सहमतिको पत्र सम्बन्धमा) माथी छलफल गर्दा कार्बन उत्सर्जन कटौती गरे वापत विश्व बैंकले नेपाल सरकारलाई उपलब्ध गराउने रकम नेपाल सरकारको सर्वसञ्चित कोषमा जम्मा हुने र विनियोजित ऐन बमोजिम Emission Reduction Purchase Agreement (ERPA) अनुसार बजेट विनियोजन हुने गरी लाभको बाडफाँट गर्ने प्रावधान राख्ने समेतको व्यहोरा भएको प.सं. ०८०।८१, च.नं. १२३८, मिति २०८०।१०।०३ को पत्र सबैलाई जानकारी गराई साझा बुझाई गरियो । साथै अर्थ मन्त्रालयको राय सहमतिको पत्र अनुसार लाभ बाडफाँट योजना तयार गर्ने सर्वसम्मत निर्णय गरियो ।

२. प्रस्ताव नं. २ (लाभ बाडफाँट योजनामा समावेश गर्ने विषयका सम्बन्धमा) माथी छलफल गर्दा देहाय अनुसारको विषयहरू लाभ बाडफाँट योजनामा थप गरी स्वीकृतीका लागि वन नियमावली, २०७९ अनुसार वन तथा वातावरण मन्त्रालयमा स्वीकृतीका लागि पेश गर्ने निर्णय गरियो ।

देहाय:

क. वनको क्षेत्रफलको आधारमा जिल्ला अनुसार कार्य गरी वन व्यवस्थापन पद्धति अपनाइएको क्षेत्रलाई मध्यनजर गरेर सामुदायिक वन, साझेदारी वन र कबुलियति वनको क्षेत्रफलको आधारमा हिस्सामा पर्ने कार्बन उत्सर्जन कटौती भुक्तानीको रकम निर्धारण गर्ने । निर्धारण गरिएको रकम निम्नानुसारका सम्भाग (Forest Protection and Biodiversity conservation, Forest Restoration/Afforestation/Carbon stock enhancement, Sustainable forest Management, Capacity Building/Livelihood improvement) मा तपसिलको क्षेत्रफलको समूहकृत गरी निर्धारित लाभ बाडफाँट प्रतिशतका आधारमा लगानी योजना (Investment Plan) छनौट गरी कार्यान्वयन गरिने छ ।

तपसिल

क. सामुदायिक वन

Area ha	Benefit sharing%	Forest Protection and Biodiversity conservation	Forest Restoration/Afforestation/Carbon stock enhancement	Sustainable forest Management	Capacity Building/Livelihood improvement	Total	selection Process
< 30	15	40	15	20	25	100	Best proposal
31-75	20	30	10	25	35	100	
75-250	35	20	20	35	25	100	
251-500	20	20	15	40	25	100	
>500	10	20	15	40	25	100	
Total	100						

ख. साझेदारी वन

Area ha	Benefit sharing %	Forest Protection and Biodiversity conservation	Forest Restoration/Afforestation/Carbon stock enhancement	Sustainable forest Management	Capacity Building/Livelihood improvement	Total	selection Process
Up to 1500	30	15	15	40	30	100	Best proposal
1500-2500	30	15	15	40	30	100	
> 2500	40	15	15	40	30	100	
Total	100						

ग. मध्यवर्ती सामुदायिक वनको हकमा

Area ha	Benefit sharing%	Forest Protection and Biodiversity conservationS Forest Restoration/Afforestation/Carbon stock enhancement	Human wildlife conflict management	Capacity Building/Livelihood Improvement	Total	Selection Process
< 50	40	35	35	30	100	Best proposal
51-300	30	35	35	30	100	
>300	30	35	35	30	100	
Total	100					

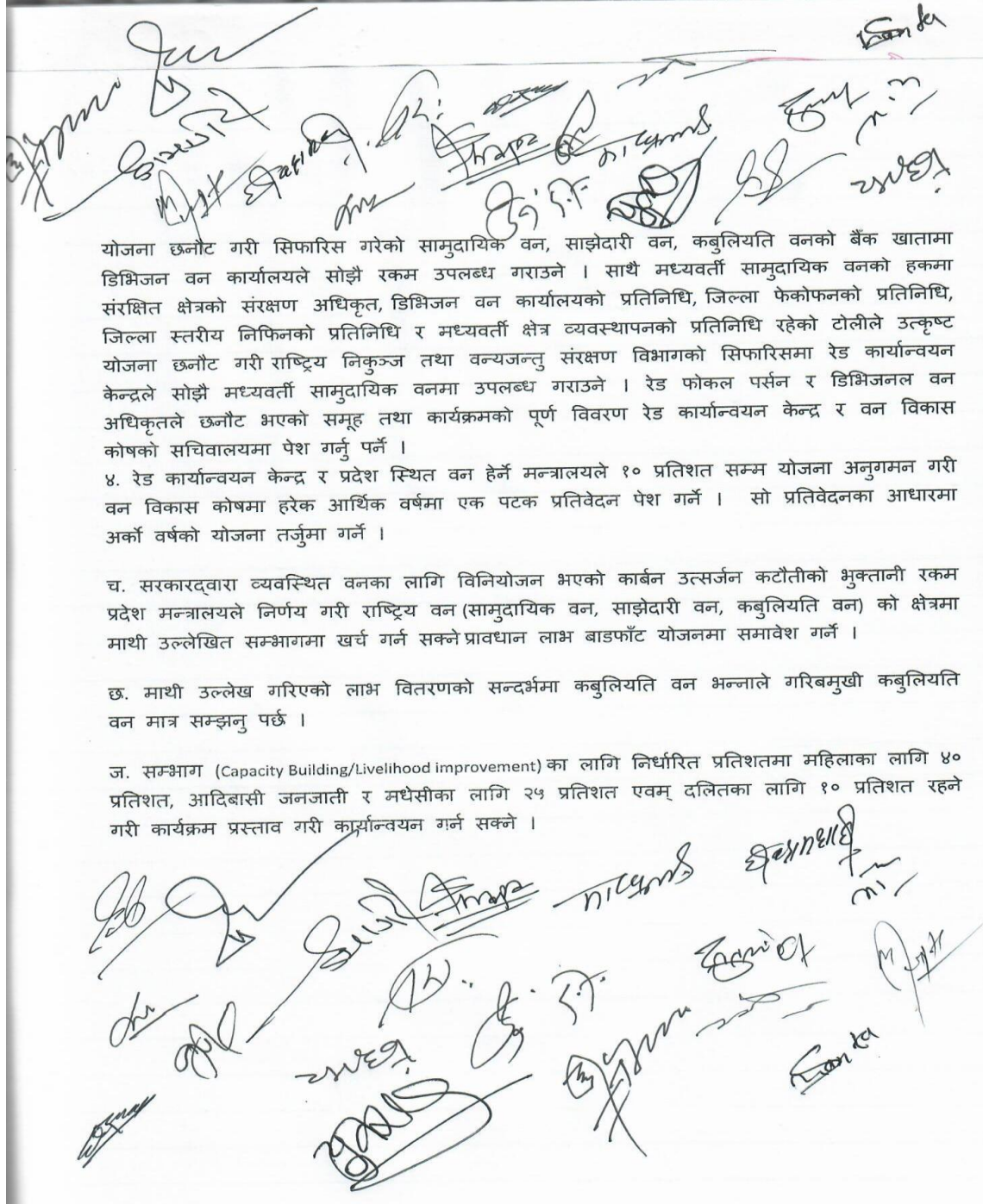
घ. कबुलियति वनको हकमा सम्बन्धित जिल्लास्तरमा गठित समितिले अवस्थाको विश्लेषण गरी आवश्यक निर्णय सहित डिभिजन वन कार्यालयमा सिफारिस गर्न सक्ने ।

ड. कार्बन उत्सर्जन कटौती भुक्तानीको प्रयोजनका लागि योजना तर्जुमा र बजेट प्रवाहको प्रक्रिया:

१. संघीय सशर्त अनुदानका आधारमा माथी उल्लेखित सम्भाग अनुसार बजेट निर्धारण गरी एकमुष्ट रुपमा रेड कार्यान्वयन केन्द्रले योजना तर्जुमा गरी वन विकास कोषबाट निर्णय गराई विनियोजन विधेयकमा वन तथा वातावरण मन्त्रालय मार्फत् प्रस्ताव गर्ने ।

२. रेड कार्यान्वयन केन्द्रले तयार गरेको कार्यक्रम कार्यान्वयन कार्यविधि अनुसार संघीय सशर्त अनुदान मार्फत् प्रदेश सरकारले PLMBIS मा रकम प्रविष्ट गरी डिभिजन वन कार्यालय मार्फत् कार्यान्वयन गरिने । मध्यवर्ती सामुदायिक वनको हकमा सम्बन्धित निकुञ्ज र आरक्षको सिफारिसमा रेड कार्यान्वयन केन्द्रले कार्यान्वयन गर्ने ।

३. उल्लेखित सम्भाग अनुसार हरेक जिल्लामा रहेको रेड फोकल पर्सनको संयोजकत्व तथा आदिवासी जनजाति तथा स्थानीय समुदाय (फेकोपन, प्रकोपन, निफिन) को सहभागिता रहने कार्यदलले उत्कृष्ट



योजना छनौट गरी सिफारिस गरेको सामुदायिक वन, साझेदारी वन, कबुलियति वनको बैंक खातामा डिभिजन वन कार्यालयले सोझै रकम उपलब्ध गराउने । साथै मध्यवर्ती सामुदायिक वनको हकमा संरक्षित क्षेत्रको संरक्षण अधिकृत, डिभिजन वन कार्यालयको प्रतिनिधि, जिल्ला फेकोफनको प्रतिनिधि, जिल्ला स्तरीय निफिनको प्रतिनिधि र मध्यवर्ती क्षेत्र व्यवस्थापनको प्रतिनिधि रहेको टोलीले उत्कृष्ट योजना छनौट गरी राष्ट्रिय निकुञ्ज तथा वन्यजन्तु संरक्षण विभागको सिफारिसमा रेड कार्यान्वयन केन्द्रले सोझै मध्यवर्ती सामुदायिक वनमा उपलब्ध गराउने । रेड फोकल पर्सन र डिभिजनल वन अधिकृतले छनौट भएको समूह तथा कार्यक्रमको पूर्ण विवरण रेड कार्यान्वयन केन्द्र र वन विकास कोषको सचिवालयमा पेश गर्नु पर्ने ।

४. रेड कार्यान्वयन केन्द्र र प्रदेश स्थित वन हेर्ने मन्त्रालयले १० प्रतिशत सम्म योजना अनुगमन गरी वन विकास कोषमा हरेक आर्थिक वर्षमा एक पटक प्रतिवेदन पेश गर्ने । सो प्रतिवेदनका आधारमा अर्को वर्षको योजना तर्जुमा गर्ने ।

च. सरकारद्वारा व्यवस्थित वनका लागि विनियोजन भएको कार्बन उत्सर्जन कटौतीको भुक्तानी रकम प्रदेश मन्त्रालयले निर्णय गरी राष्ट्रिय वन (सामुदायिक वन, साझेदारी वन, कबुलियति वन) को क्षेत्रमा माथी उल्लेखित सम्भागमा खर्च गर्न सक्ने प्रावधान लाभ बाडफाँट योजनमा समावेश गर्ने ।

छ. माथी उल्लेख गरिएको लाभ वितरणको सन्दर्भमा कबुलियति वन भन्नाले गरिबमुखी कबुलियति वन मात्र सम्झनु पर्छ ।

ज. सम्भाग (Capacity Building/Livelihood improvement) का लागि निर्धारित प्रतिशतमा महिलाका लागि ४० प्रतिशत, आदिवासी जनजाती र मधेसीका लागि २५ प्रतिशत एवम् दलितका लागि १० प्रतिशत रहने गरी कार्यक्रम प्रस्ताव गरी कार्यान्वयन गर्न सक्ने ।

ANNEX 17: LIST OF PARTICIPANTS OF NATIONAL STAKEHOLDER CONSULTATION WORKSHOP IN KATHMANDU

Venue: Indreni Banquet, New Baneshwor, Kathmandu

Date: 10 March 2023

Table 24: List of Participatns in the stakeholder consultation

SN	Name of Participants	Designation	Organization	Remarks
1	Shiva Kumar Wagle	Joint Secretary	Ministry of Forests and Environment	
2	Buddi Sagar Poudel	Joint Secretary	Ministry of Forests and Environment	
3	Ram Chandra Kandel	Joint Secretary and Chief	REDD Implementation Centre	
4	Dipak Jnawali	Joint Secretary	Department of Forests and Soil Conservation	
5	Shankar Adhikari	Under Secretary	REDD Implementation Centre	
6	Arati Shrestha	Env. Inspector	Department of Environment	
7	Meerim Shakirova	TTL	World Bank	
8	Ganga Devi Gurung	Program Officer	NEFIN CCPP	
9	Shree Kumar Maharjan	Social Development Consultant	World Bank	
10	Pemba Sherpa	Assistant Planning Officer	DNPWC	
11	Devesh Mani Tripathi	DG	Department of Forests and Soil Cons.	
12	Raj Kumar Giri	Research Officer	Forest Research and Training Centre	
13	Prakash Dhungana	Chairperson	BZMC CNP	
14	Gayan Kumar Shrestha	Chairperson	Bandevi B Z Samudayik Chitwan	
15	Jit Bahadur Tamang	President	Baghmara B C Forest	

16	Ram Kumar Shrestha	Treasure	Barandabhar U G	
17	Ram Kumar Maden	Section Officer	NFDIN	
18	Himlal Shrestha	Associate Profeesor	KAFCOL	
19	Bidhya Khanal	General Secretary	FEWEN (Ban Batabarn Sramik samaj)	
20	Shailendra Khadka	Treasure	FEWEN	
21	Brikha Bahadur Shahi	General Secretary	FECOFUN	
22	Deepak Bhandari	Chairperson	Leasehold Federation	
23	Harikumar Gurung	Chairperson	Chaturmukhi CF	
24	Rekha Shreesh	Social Sp.	World Bank	
25	Cecelia Rana	Consultant	World Bank	
26	Eak Rana	Consultant	World Bank	
27	Divash Rai	General Secretary	NEFIN/NFDIN	
28	Shambhu Dangal	Country Representative	Emergent	
29	Rakesh Karna	Advisor	ACOFUN	
30	Mohan Poudel	Coordinator	UN REDD TA	
31	Dhawa Tamang	Bufferzone	Shivapuri	
32	Dil Raj Khanal	Advocate, Carbon Law		
33	Bir Bd. Khanal Chhetri	Dean/Professor	IoF/TU	
34	Bishnu Kumari Adhikari	ASCO	REDD IC	
35	Sunil Kumar Pariyar	ED	DANAR	
36	Tara Prasad Pun	Na Su	REDD IC	
37	Thakur Bhandari	Secretary	FECOFUN	
38	Lakpa Sherpa	Co-Chairperson	NEFIN	

39	Hira Kaji Shrestha	Driver	MOFE	
40	Nlrajan Kaphle	Driver	MOFE	
41	Shanta Kaphle	AFO	REDD IC	
42	Sabita Rijal	Account Officer	REDD IC	
43	Ranita Rai	ACO	REDD IC	
44	Surendra Adhikari	General Secretary	NEFTA	
45	Sujas Prasad Phuyal	AFO	REDD IC	
46	Binod Chaudhary		BAMC, Chitwan	
47	Krishna Dhimal		REDD IC	
48	Shiva Khadka		REDD IC	
49	Prabha Bhattarai	Accountant	REDD IC	
50	Sushmita Khadka		REDD IC	
51	Yasodha Bhattarai		REDD IC	
52	Bishnu Nepali		REDD IC	